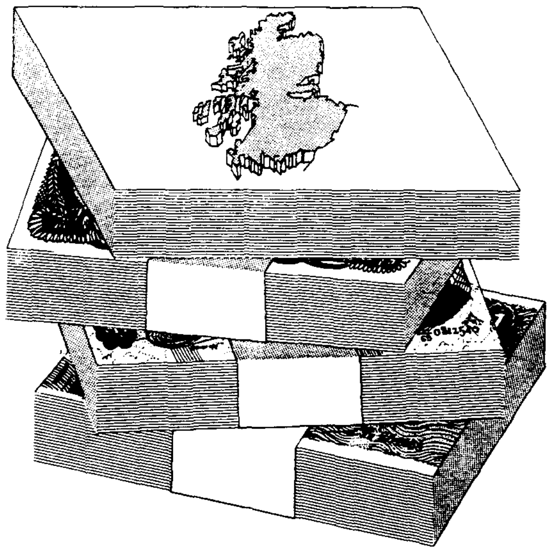
THE SCOTTISH ECONOMY



Compared with the last forecast, the present forecast shows a stonger recovery in the Scottish economy in 1992. The Scottish output index for production industries is predicted to be up by 0.8% in 1992 over the previous year, as compared with a 0.2% recovery suggested in the last forecast.

SHORT-TERM FORECASTS*

Like our forecast of the end to the last recession, our forecast of a slight down-turn in the Scottish economy in the final quarter last year (in terms of the seasonally adjusted Scottish output index for production industries, Divisions 1-4 of the 1980 SIC) turned out to be, rather unfortunately, confirmed again by the latest official data release (see Table 1 below).

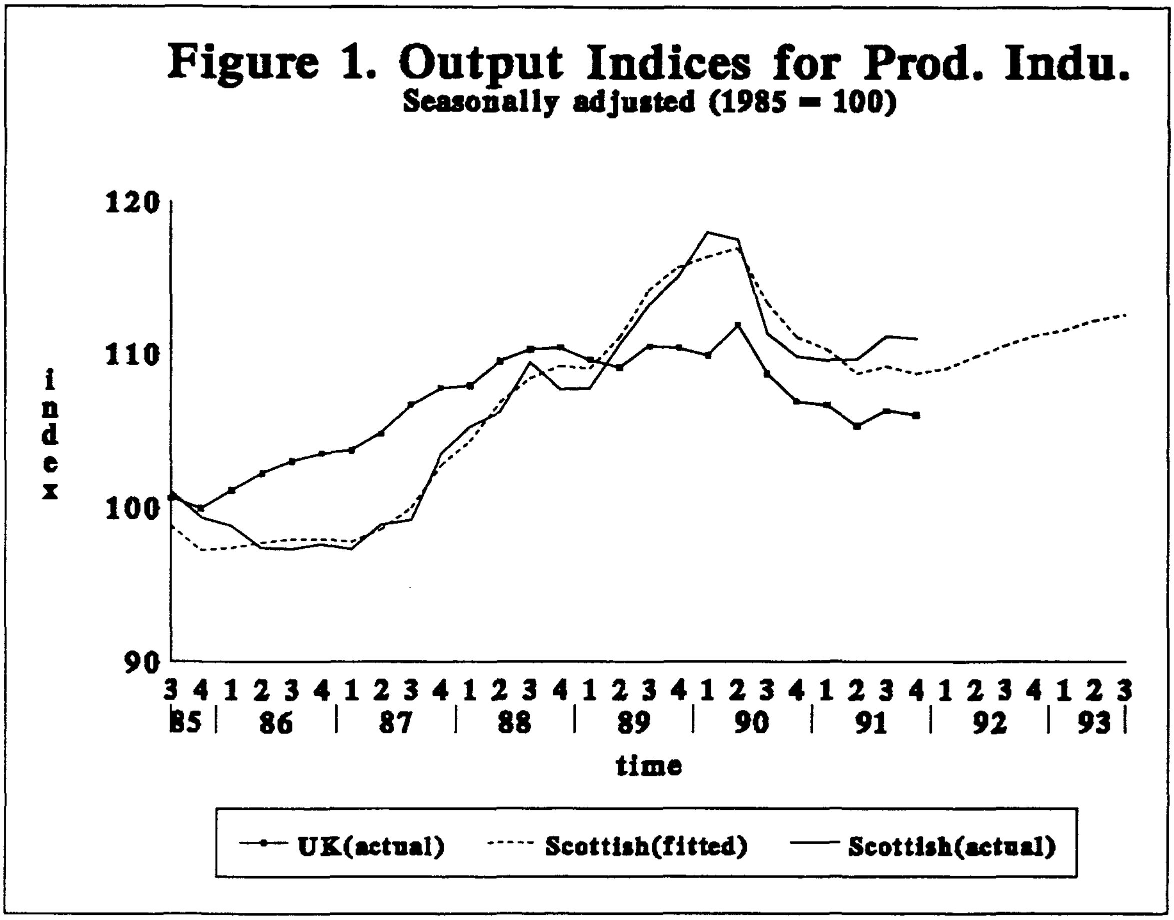
The present forecasting period extends to the third quarter of 1993. In making the Scottish forecasts, the output index series for the UK production industries is used as the exogenous data input. We calculate the UK index for the present forecasting period on the basis of the National Institute's projections. The output equation on which the forecasts are based is re-estimated using the revised and extended official data on the UK and Scottish output series.

Figure 1 shows movements in the actual output index and in the index as predicted by the model over the period of 1985 Q3 to 1991 Q4, and also shows forecasts for the period 1992 Q1 to 1993 Q3. Further details of the actual and projected indices are shown in Table 1. It is clear from Figure 1 that the model tracks the movement of the actual index reasonably well. However, the model tends to under-predict the recovery in the Scottish economy since the second part of last year. Whether or not this shows a sign of model instability remains to be investigated when sufficient observations are available.

TABLE 1 INDEX OF PRODUCTION (SIC DIVS. 1-4)

	Actual	FAI Model
1989	111.7	112.5
1990	114.2	114.4
1991	110.4	109.2
1992	-	110.1
1990 Q4	109.8	111.1
1991 Q1	109.6	110.3
Q2	109.7	108.7
Q3	111.2	109.2
Q4	111.0	108.7
Forecast		
1992 Q1	-	109.0
Q2	-	109.8
Q3	-	110.5
Q4	-	111.2
1993 Q1	-	111.6
Q2	-	112.2
Q3	-	112.6
%Change		
1990/89	2.2	1.7
1991/90	-3.3	-4.5
1992/91	-	0.8
91Q4/90Q4	1.1	-2.0
92Q4/91Q4	-	2.3
93Q3/92Q3	-	1.9

* Development of the short-term model of the economy was made possible by the funding of a three-year research fellowship by TSB Bank Scotland.



BUSINESS SURVEYS

The Scottish Chambers' Business Survey (SCBS) is the largest regular survey of the Scottish economy. It is carried out by the Fraser of Allander Institute in association with the Scottish Cambers of Commerce. Over 4000 manufacturing, construction, distribution, tourism and leisure, financial and oil companies are surveyed quarterly. The following results refer to the first quarter of 1992.

Business confidence

In Manufacturing the balance of optimism improved slightly in the first quarter, with a net balance of 6% of respondents reporting that they were more optimistic than three months previously. In the fourth quarter of 1991, a net balance of 2% of respondents reported that they were more optimistic than they were in the preceding quarter. A net balance of 4% of Manufacturing respondents were less optimistic than they were in the same period a year ago. This represented a considerable relative improvement on the balance of 20% of respondents in the fourth quarter who were less optimistic than twelve months previously.

In Construction, a net balance of 7% of respondents were less optimistic than in the preceding quarter. Confidence continued to decline but at a broadly similar rate to the fourth quarter 1991 where a balance of 8% of respondents reported that they were less optimistic than three months earlier. A net balance of 32% of respondents reported that they were less optimistic than they were a year ago; a deterioration of 5 percentage points on the response in the fourth quarter.

In Distribution, Retailing respondents were marginally more confident with a net balance of 1% reporting an increase in optimism over the previous three months; this can be compared with the positive balance of 2% recorded in the fourth quarter. In Wholesaling a net balance of 7% of firms were less optimistic, compared with the balance of 4% who were less optimistic in the fourth quarter. Confidence in Wholesaling therefore continued to decline and at a slightly faster rate in the most recent quarter.

Optimism amongst respondents from the Tourism and Leisure sector continued to rise although at a much slower rate. In the present quarter a net balance of 12% reported that they were more optimistic about the general business situation than they were three months earlier; this compared with a positive balance of 24% in the fourth quarter survey.

Orders and sales

In Manufacturing, orders and sales continued to contract although at a slower rate than reported in the fourth quarter survey. For orders, a net balance of 2% reported a decline while, for sales, a balance of 4% of firms experienced a decline. These figures compare with negative balances of 10% and 7%, respectively, in the previous quarter. Orders and sales to all principal markets appear on balance to be continuing to decline. The main exception was sales to the Scottish market where a balance of 3% of firms reported an increase, compared with the balance of 16% reporting a decline in the previous quarter. The turnaround in sales to the Scottish market appeared mainly to be accounted for by companies located in the Central and Dundee Chambers' areas.

In Construction, orders continued to decline at the same overall rate recorded in the fourth quarter. Orders from Central Government continued to be the most depressed, although there was some slowing down in the rate of contraction during the latest quarter. A broadly similar outturn was reported for Other Public Sector orders, whilst there was some increase in the rate of decline in orders from the private sector.

The upward trend in Retail sales resumed again in the first quarter after the slackening recorded in the previous quarter. A net balance of 7% of retailers reported that sales had risen, compared with a 0% balance in the fourth quarter. In Wholesaling, the decline in sales continued at much the same rate as in the fourth quarter. A net balance of 6% of respondents reported a decline in sales compared with the 7% balance recorded in the last survey.

Tourism demand appeared to have declined in the first quarter with a net balance of 3% of companies reporting a fall. In the fourth quarter of 1991, the number reporting a decrease in demand was exactly balanced by those reporting an increase.

Stock adjustments

Stocks of finished goods and raw materials in Manufacturing continued to be run down with net balances of 14% and 19%, respectively, reporting a decline. However, the rate of contraction has declined somewhat since the fourth quarter when the balances reporting a decline were 17% and 25%, respectively.

Finance and investment

In the Financial sector there was a considerable slackening in the positive trend in personal advances - a net balance of 2% compared with 34% - while the balance reporting an increase in advances to the corporate sector fell from 26% to 15%. The demand for working capital continued to rise but at a somewhat slower rate; conversely, the demand for finance for investment in buildings, and plant and equipment continued to decline and at a slightly faster rate. These data are supported by the returns from the Manufacturing and Construction sectors on investment where a further reduction in the intention to invest in plant and equipment, and buildings was reported. However, in both Retailing and Wholesaling a small balance of companies were reporting an increase in investment in premises.

Expectations

Fourth quarter expectations for the first quarter 1992 varied in their degree of fulfilment across the sectors. In Manufacturing and Wholesaling, an expectation of an increase in orders and sales did not materialise. Construction respondents anticipated a further strong decline in orders which in the event appears to have been worse than expected. Conversely, the apparent fall in Tourism demand in the present quarter appeared to have been less than anticipated, while Retail sales appeared to have been greater than expected in the fourth quarter.

Expectations for the second quarter 1992 were generally revised upwards. A net balance of 12% of Manufacturers expect orders to rise, while a balance of 6% anticipate an increase in sales. In Construction, a balance of 7% expect a further decline in orders compared to 20% in the preceding quarter. In wholesaling, a small balance of 2% expect an increase in sales, which is the same as the expectation in the fourth quarter; however, in Retailing, a much larger balance of 18% of respondents expect sales to rise compared with 2% in the last quarter.

Chambers of Commerce areas

Aberdeen continued to be the most buoyant area in Scotland by a considerable margin. In the Glasgow area, Tourism was relatively strong but the Distributive Trades were performing poorly. The Distributive Trades remained strong in Fife. Edinburgh continued to be the weakest area.

PRIMARY

AGRICULTURE

The major event of the year that will affect Scottish agriculture is the agreement on European Community (EC) Common Agricultural Policy (CAP) reform, announced on 21 May.

After ten months of intense negotiation, an amended version of the package of reforms proposed by European Commissioner, Ray MacSharry, has been agreed.

The centrepiece of the reform package is a 29% reduction in cereals support price, to come into effect over the next three marketing years. In addition to the direct effect of such a price cut, there will be multiplier effects on other agricultural sectors which will benefit from reduced prices of annual feedstuffs.

Quantity controls will affect cereal producers too, with large producers being required to take 15% of land out of cereals production. Compensation will be paid to producers affected by these controls, and compensation will not be limited only to small farmers, as was originally proposed. Compensation to farmers for price cuts will be paid in full, on a per hectare basis, calculated on a past averaged yield. The basis for compensation is thus a fixed historical base, and it removes the incentive to high production than was built-in to the pre-reform guaranteed price system.

Farm incomes will be fully protected initially, therefore, and so the CAP budget will not fall in early years. However, support returns to the pre CAO income support, (rather than price support) mode, and so has the potential to achieve a more equitable distribution of subsidy payments to farmers than has been possible in recent years.

Sheep farming is a sector of concern to Britain (and to Scotland in particular). The number of ewes eligible for subsidy in less favoured areas (including Scottish Highlands) is 1,000 head, up from the 750 original proposed. Elsewhere, the head limit for subsidy is 500. However, 50% of the ewe premium will be paid on flock numbers over these headage limits, a concession to Britain in the negotiating process.

With regard to beef production, the quantity of beef subject to intervention will fall from 750,000 tonnes annually to 350,000 tonnes annually over a five year period. However, headage limits have not been introduced on eligibility for suckler cow premium. In the dairy sector, a 2% cut in the milk quota will be introduced between 1993 and 1995, and the butter price will be cut by 5% over two years.

The package of reforms also includes what are termed "accompanying premiums". These are designed to bring about a greater coincidence between agricultural practises and environmental objectives and include measures to encourage 'green farming' and mixed afforestation schemes. Support is also provided for encouraging early retirement of farmers, and for divestification programmes.

The results of the reform programme are to be welcomed in many ways. European agricultural output will be reduced closer to levels customers are willing to buy at (relatively) unsubsidised prices. Food prices should fall in real terms over the next five years (although cuts will be much less sharp than the subsidy reductions suggest), and farmers' income will tend to be less volatile.

The reduction of export subsidies for European food exports will help unblock GATT negotiations on trade liberalisation, which should, in the longer term, offer additional benefits to Europe.

In the longer term, the present price/subsidy package of cuts will probably need to be made harsher, particularly as eastern and central European economies raise their farm outputs (and perhaps join the EC).

FISHING

Figure 1 presents data on weight and value of fish landed in Scotland in the first quarter of 1992. The figures for the equivalent quarter in 1991 are presented for purposes of comparison.

The value of fish landed into Scotland by UK vessels for period January to March 1992 was £60.6 million, approximately 5% lower than in 1991. However, while the value of landings was 5% lower, the weight of landings was 35% higher, with both demersal and pelagic species showing increased weight of landings.

Demersal species, primarily cod, haddock and whiting showed the largest overall income in landing weight, with haddock and whiting each showing rises of over 20%. The strong volume increases for haddock and whiting were associated with substantial price falls, with haddock prices being just 73% of their level compared with a year earlier.

For pelagic species, the figures are dominated by landings of mackerel. With 6% higher quantity of landings and a slight rise in nominal prices, the value of landings rose by 9%, largely accounting for the overall rise in landings value for pelagic species.

Shellfish, meanwhile were caught in lower quantities overall, and showed downward trends in price. These resulted in a fall of 20% in the value of landings.

CONSTRUCTION

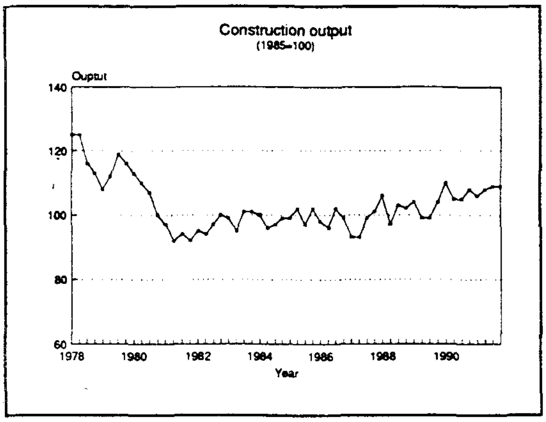


FIGURE 1 FISH LANDINGS IN SCOTLAND: JANUARY TO DECEMBER 1991 - COMPARED WITH JANUARY TO MAR 1991

Landings by UK vessels	JAN TO MAR 1992			92 PER CENT OF 91		
	Weight Tonnes	Value £000s	Price £/T	Weight %	Value %	Price %
Demersal	41,481	40,170	968	106	97	91
Pelagic	77,490	9,697	125	104	106	102
Shellfish	8,452	10,726	1,269	86	80	93
Cod	6,934	9,384	1,353	96	101	106
Haddock	11,177	10,458	936	129	94	73
Whiting	12,345	5,739	465	121	107	89
Saithe	2,810	1,598	569	86	100	116
Dover Sole	9	32	3,556	150	178	119
Hake	514	975	1,897	97	86	88
Lemon Sole	291	648	2,227	81	95	117
Ling	554	548	989	79	95	120
Megrims	489	1,085	]2,219	73	92	127
Monks	2,222	5,528	2,488	86	96	112
Plaice	1,203	1,085	902	100	96	96
Skate	831	580	698	74	87	117
Sandeels	0	0				
Dogfish Spur	857	990	1,155	72	65	91
Witches	445	637	1,431	82	97	119
Mackerel	75,460	9,493	126	106	109	102
Herring	1,867	184	99	59	48	81
Brown Crabs	451	537	1,191	59	56	94
Green Crabs	56	30	536	62	70	112
Velvet Crabs	309	575	1,861	104	98	94
Lobsters	22	251	11,409	29	35	119
Prink Shrimps	3	2	667	50	22	44
Squid	136	175	1,287	30	45	149
Scallops	842	1,479	1,757	76	78	102
Norway Lobsters	3,435	6,641	1,933	106	86	81
Queen Scallops	1,164	442	380	73	80	109
Periwinkles	360	233	647	83	89	107
Total by UK vessels	127,423	60,593	476	103	95	92
Landings by foreign vessels	8,574	3,039	354	420	421	100
Total landings in Scotland	135,997	63,632	468	108	98	91

Source: Scottish Office Information Directorate, 12.02.1992

The latest Scottish Office index of construction shows that for the fourth quarter 1991, output in the Scottish Construction sector finally fell, by 0.5% on the previous quarter to stand at 108.7. The official figures are now beginning to agree with the general industry consensus that whilst the UK Construction industry is on its back, the Scottish industry is on its knees. These figures, however, still indicate a 0.7% increase when comparing the latest four quarters with the previous four.

The UK continued to decrease its rate of decline as discussed in the last Commentary, to stand at 116.7 in the fourth quarter 1991. Comparing the latest four quarters with the previous four show how quickly positions can be reversed. In the fourth quarter of 1988 this figure showed growth of 9.0%. In the same period in 1991 there was a decline of 8.8%.

The Department of Environment's summary of contracts obtained by contractors in the building industry shows that all new work in Scotland increased by 9% in the fourth quarter of 1991 to stand at £472 million. Compared with the same quarter of 1990, this was down by 13.4%, and the yearly total showed a fall of 6.9% to £1,924 million. Due to the seasonal and lumpy nature of orders data it is perhaps more meaningful to compare 1991 with the previous year. In the public sector new orders increased by 8.7%, whilst in the private sector they fell by 13.4% (overall the Scottish private sector accounts for almost two thirds of new orders). Public sector new housing orders increased by 28.4% against a fall of 12% in the private sector. The picture with non housing is very similar with the public sector increasing by 5.4% and the private sector falling by 14.4%.

Looking at Great Britain as a whole shows a somewhat different picture with all new work falling by 6.4% in the fourth quarter 1991 to £4,501 million and down 5.2% on the fourth quarter 1990. The yearly total of new orders for 1991 was down 13.6% to £19,461 million. Total public sector new orders for 1991 was £5,644 million, down 3.3% on the year, however, this was not as severe as the 17.2% decrease faced by the private sector, in the same period. Private sector new housing orders fell by 6.3% during 1991 to £4,551 million and public sector new housing increased by 28.3% to £876 million. Private industrial new orders fell by 7.6% and private commercial by 28.2% to stand at £3,454 million and £5,812 million respectively.

These figures show that Scotland is continuing to fare better than Great Britain as a whole despite the continuing recession. The latest Scottish Chambers Business Survey for the first quarter 1992 showed that a net balance of 7% of respondents were less optimistic than in the previous quarter. Confidence continues to decline at a broadly similar rate to the fourth quarter of 1991 where a net 8% reported that they were less optimistic than in the preceding quarter. A net balance of 32% of respondents reported that they were less optimistic than they were a year ago; a deterioration of 5 percentage points on their fourth quarter response. Capacity utilization in the first quarter of 1992 stands at 70.8%, which is down on the same period last year for a net 38% of respondents.

Orders continued to decline at the same overall rate recorded in the fourth quarter. Central Government orders were the most depressed although there is evidence of some slow down in the rate of contraction during the last quarter. A broadly similar outturn is reported for other public sector orders, whilst there was some increase in the rate of decline in orders from the private sector. In the fourth quarter 1991 a strong decline in orders was anticipated, the actuality of which is significantly worse. There has however been an upward revision of expectations, with a balance of 7% expecting a further decline in orders compared to 20% in the preceding quarter.

Of those respondents increasing wages in the first quarter, the average settlement was 7.6%. This was the largest settlement of any sector, despite a continuing fall over the past 12 months (of 1.9%). The trend in total employment (a balance of -31%) continues to reflect the weakness in the demand for labour. The rate of decline has continued to slow since the second quarter 1991, but there is no evidence to suggest any improvement in the demand for labour over the first quarter. The slight improvement expected in the second quarter does little to improve the demand for labour. There has been a significant reduction, (5%) in the percentage of firms recruiting in the first quarter to a net balance of 35%.

The Nationwide Anglia Building Society reported that house prices rose in Scotland by 2.0%, in the first quarter 1992. This represented a return to the upward trend in prices during the first three quarters of 1991, which had been interrupted by a fall of 0.1% in the final quarter of 1991, as reported in the March Commentary. The price of new properties rose particularly rapidly in the first quarter. On an annual basis, the rise of 6% in Scotland was the largest in any UK region. Again the rise was driven by new houses.

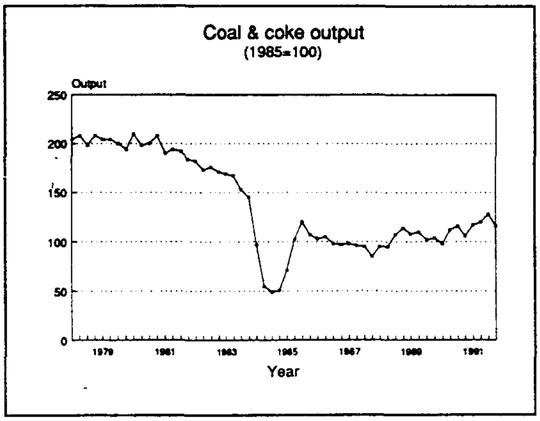
NHBC figures for housing completions in Scotland for the first quarter of 1992 fell by 14.7% to 2,900 from the previous quarter but show an increase of 7.4% from the same period in 1991. Completions in Great Britain increased by 200 in the first quarter 1992 (0.6%) to 36,600. This is up by 8.6% on the same period in 1991. The NHBC applications for housing starts in Scotland in the first quarter 1992 was 3,700; up 700 on the fourth quarter 1991. This is an increase of 23.3% but is however, only up by 15.6% on the first quarter 1991. Applications for housing starts in Great Britain as a whole increased by 13,400 (an increase of 46.5%) to 42,200. Comparing this with the same period in 1991 shows an increase of 34.0%.

Because NHBC figures reflect an intention to build, they may give an earlier indication of forthcoming market trends, and these figures certainly point to a recovery in house building. Possible reasons for this may be the effects of the temporary suspension of stamp duty or optimism regarding further reductions in interest rates.

ENERGY

OIL AND GAS

According to the Royal Bank of Scotland/Radio Scotland, oil production levels in the North Sea averaged 1.82 mbpd in March. This was 166,000 bpd less than in February and 251,000 bpd less than in March 1991 (which was, in fact, the peak production month last year). Most of the decline was attributed to repair and maintenance work on platforms and pipelines, which is interesting, since historically it is unusual for these activities to begin in earnest in the North Sea quite so early in the year.



The Royal Bank estimates that the average daily value of oil production in March was £18.5 million, a fall of £1.6 million compared with February. The reduction in daily oil value was attributable to the lower level of production combined with a weakening in the dollar price of crude oil (see below); however, these negative factors were partially offset by a 3% depreciation of sterling against the dollar.

As predicted in the last Commentary, OPEC exceeded its production ceiling of 22.9 mbpd (as agreed in February) by 650 thbpd in March, with Saudi Arabia and Iran, in particular, producing above quota. In an already weak market, this inevitably led to reductions in crude prices, with Brent crude falling from an average $18pb in February to an average $17.5pb in March.

In April, OPEC confirmed its commitment to a production ceiling of 22.9 mbpd. If this production level could be sustained, it would almost exactly satisfy the second quarter call on OPEC's output as forecast by its own Secretariat. However, the credibility of the 22.9 mbpd ceiling must be gauged against actual OPEC production of 24.04 mbpd in the first quarter. Furthermore, pressures to increase cartel output will be considerable, given the growing contribution of Kuwait and the potential contribution of Iraq. Overall, it seems probable that OPEC will exceed its production limit, leading to continuing weakness in the crude market, with prices in the $17-$18pb range. Very good spring weather in the Northern hemisphere could cause the oil price to fall below $17pb.

According to the Institute of Petroleum, Scotland consumed 9.4% more petroleum products in 1991 than in 1990. However, much of this rise was attributable to a 43% increase in ethane used as feedstock for petrochemicals. This, in turn, reflected a rise in North Sea ethane production following accident and safety related disruptions in 1990.

COAL, ELECTRICITY AND WATER

Scottish Hydro-Electric (SHE) and NORWEB will proceed with a venture to build a £400 million gas-fired power station. The two companies will split the output, increasing SHEs generating capacity in England and Wales by 100%. A similar sized investment is to be made by Seeboard and Southern Electric for a gas-fired station in Kent.

National Power (NP) are looking to preserve its coal-fired power stations in the face of competition with the independent gas-fired stations. Mr John Baker, the chief executive of NP is concerned that the electricity pool and the wholesale market could be undermined due to the number of gas-fired power stations being built. The National Grid cautioned that England and Wales will have 60% too much electricity by 1997.

NP and the other generators are to meet with Mr Tim Eggar, the energy minister who may try to push for contracts fixing quantity and the cost of coal sold by British Coal (BC) to the generators. Without this agreement, BC cannot be privatised (due to their reliance on this revenue). However the generators may not buy the coal unless they have a market for this coal-fired power. Several regional electricity companies replied that no long-term contracts had been offered by NP, though one regional chief executive said that some of the fears were legitimate.

Initially, Scottish Power would concentrate on the business market. SP have also diversified into the marketing and manufacturing of cement and other construction products. This should give SP an opportunity to substantially increase their sales of power station ash (a major component in these products).

Nuclear Electric (NE) announced a reduction in electricity prices for those industrial consumers signing twelve month contracts. This comes shortly after NE were warned by Offer, the electricity industry watchdog, about monopoly pricing.

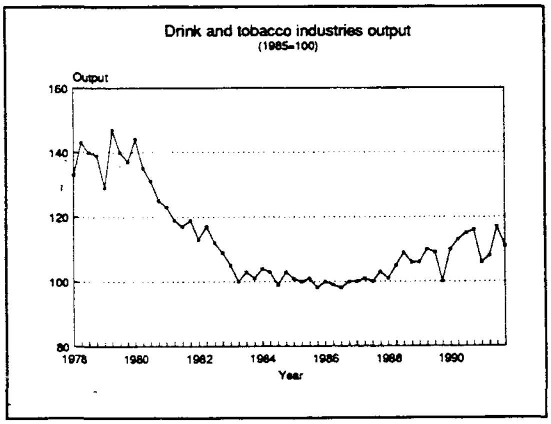
British Coal are expected to announce record profits in June, this follows the announcement of their biggest ever rise in productivity.

SP and SHE have both applied to the Department of Trade and Industry (DTI) for a licence to operate in the UK telecommunications market.

MANUFACTURING

FOOD, DRINK AND TOBACCO

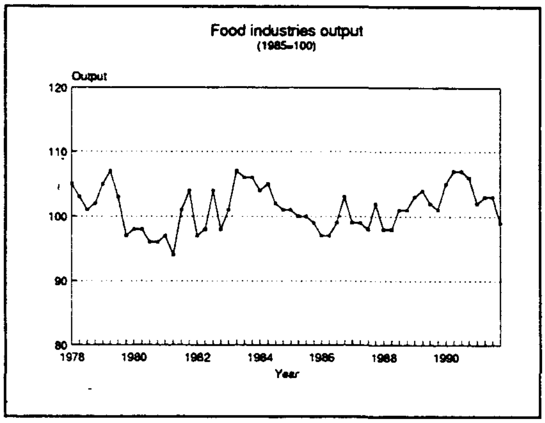
Hopes expressed in the last issue of this Commentary that the absence of any change in output in the food sector observed in the second and third quarters of 1991 may indicate a bottoming out of output have been set back by the latest 3% drop recorded during the final quarter of last year. Food output fell by 5% over the course of 1991 and as yet shows no real sign of reaching the levels recorded, for example, during 1990.



In Drink and Tobacco, the surprising 8% rise in output between the second and third quarters remains on record. However, the fourth quarter output is recorded as having fallen by 5%m, making it difficult to assess how recent changes are likely to affect short term prospects.

In the company sector, two recent developments have resulted in problems for Scottish companies. The Inverness company Osprey Seafoods has gone into receivership following the collapse of a major purchaser, DL Seafoods of Paris, who are reported to owe Osprey around £500,000. However, Osprey is continuing to trade while under the control of the receivers, who hope to sell the company as a going concern.

Secondly, MacFish Limited, the food processing company who operate plants in Fraserburgh and Peterhead, has been put up for sale following the decision of its two major backers to realise their investments. While MacFish, who employ 700 people in Scotland, is to be sold as a going concern, there is some doubt as to whether any new owner will wish to continue operating at the present level of capacity, as both owners have stated that one reason for the withdrawal was the downturn in food processing and the company's requirements for heavy investment in order to increase profitability.



Somewhat better news for the fish industry is the decision of Dawnfresh Seafoods to relocate its manufacturing operations from England to a new £8m factory in Bothwell by the move was partly occasioned by the need to move closer to its main supply ports in Aberdeen and Campbelltown, and Lanarkshire Development Agency has also provided some grant assistance.

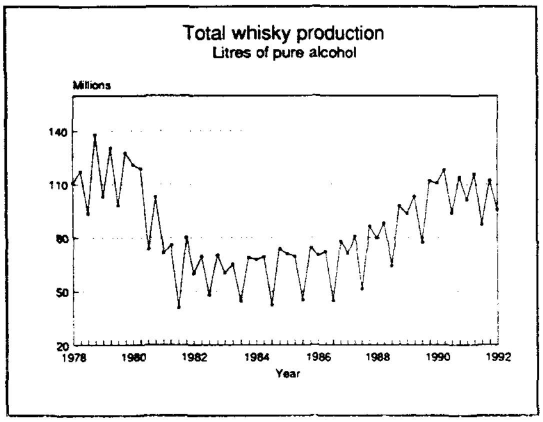
Following the collapse of Alma Holdings in April, Cadbury-Schweppes is to purchase the Angus confectionery part of the group, which made Victory V and Hacks. However, it appears that Cadbury-Schweppes is solely interested in acquiring brand names and factory equipment, with no prospect of any re-opening in Scotland. The sale of Angus realises just over £3m.

Finally, the English company Mathew Clark has purchased the bottled water company Strathmore Spring from Joseph Dunn of Glasgow. Strathmore is currently the third largest selling brand of bottled water in the UK and Mathew Clark plans to invest around £5m to increase market penetration, mainly in England and Wales. Joseph Dunn will continue to manufacture Strathmore at Forfar, where 44 employees are involved, and will distribute Strathmore in Scotland.

WHISKY

Exports of scotch whisky by volume continue their downward trend. In the first quarter of this year total exports fell by 1.1% compared with the corresponding period in 1991 to 48.9 million litres of pure alcohol (LPA). As has been the case for the last two years, the bulk of the decline is accounted for by bottled-in-Scotland blends, exports of which fell by 2.2% in the first quarter to 36.4 LPA. This is the poorest first-quarter export figures since 1985. Shipments of bottled-in-Scotland malts began to decline last year, and this has persisted in 1992; exports in the first quarter fell 6.3% to

1.7 million LPA.



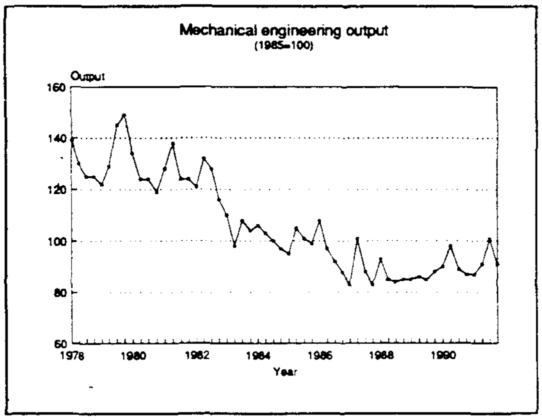
Some adjustment to production has been taking place, but not as much as would be imagined in the face of a declining home and overseas markets. In 1991 total production declined by 4.4% to 416.8 million LPA. Interestingly, most of the decline came in the production of malt whisky which fell by 7%, while production of grain, the main constituent of blended whiskies, fell by only 2.3%. Rather curiously, grain production picked up sharply in the second half of the year after being markedly lower in the first half; in the second six months of the year 8% more grain whisky was produced than in the same period in 1991. By contrast, malt whisky production displayed precisely the opposite pattern, falling in the second half of the year after a modest rise in the first six months. This trend has continued into 1992. In the first quarter overall production fell by 5.3% to 95.9 million LPA, within which grain production increased slightly and that of malt whisky fell by 13%.

Some of the major whisky companies are now feeling the effects of the decline in markets. In April Highland Distilleries reported interim profits down by 2.5% to £14.7 million on turnover which increased by just 1%. Not surprisingly given the figures above, most of the fall in profits came as the result of falling sales of new fillings and mature whisky to other blenders. By contrast, the Famous Grouse, the companies principal brand, continues to do well. UK sales of the brand fell by 6% in the year to February, but this compares well with an overall industry decline of 12%. In export markets, volume sales of the Famous Grouse rose by 7%.

Another of Scotland's dwindling breed of (just) independent whisky companies, Invergordon Distillers, has acquired the rights to produce and market two of the more esoteric whisky brands, Sheep Dip and Pig's Nose. The former is actually a respectably-selling vatted malt (i.e. a combination of more than one malt whisky but with no grain content), but Pig's Nose is little more than a novelty blend at the moment. Clearly, however, Invergordon feels that both brands can be developed, and the purchase price of £0.5 million may seem a snip in years to come. A more testing time for Invergordon will come in November when Whyte & Mackay is free once again to launch a renewed takeover bid. Whyte & Mackay currently owns just over 40% of Invergordon.

Two other whisky companies are engaging in significant moves of bottling plants. United Distillers is to close its Dunfermline bottling plant next year and transfer the work to its Shieldhall plant in Glasgow, where a £10 million investment is being carried out. Thirty jobs will be created at the Glasgow plant, but 160 jobs will be lost in Dunfermline. Family-owned William Grant is also investing £10 million pounds in a bottling plant, this time a new one at the Strathclyde Business Park in Lanarkshire. The plant will replace the existing bottling works in Paisley, and will involve no net redundancies. The new plant will increase the firm's bottling capacity from three million to five million bottles per year, and will be conveniently close to the Coatbridge freightliner depot which handles almost half of the company's exports.

MECHANICAL ENGINEERING



After showing steady growth in the first three quarters of 1991, the industry then collapsed in the fourth. The latest index of Production and Construction from the Scottish Office shows a quarterly decline of 10% in Scotland compared with a 2% decline recorded for the U.K. as a whole. However, the quarterly figures do not reflect the performance of Scottish Mechanical Engineering relative to the United Kingdom. The U.K. industry has been in continual decline since 1990:2 and by 1991:4 does not appear to have bottomed out. This is evident if we look at the year on year index which shows 2% growth in Scotland and an 11% contraction in the U.K. as a whole.

The latest Scottish Chambers Business Survey results show a balance of optimism of 2.9% compared with 8.3% in the previous survey. Compared with the same period a year ago the balance of optimism is -22.9%.

New orders fell in a net 1.0% of firms and sales fell in a net 10.5% in the first quarter. The Scottish and U.K. markets attracted the most blame. New orders and sales within Scotland fell in net 9.0% and 18.8% of firms respectively but trade with the rest of the world improved. During the current quarter overall orders are expected to recover in a net 12.2% of firms but sales are expected to fall in a net 9.4%. Sales to Scotland and the U.K. are set to fall in a net 7.1% and 14.7% of firms. Nets of 22.6% and 7.9% expect orders and sales to improve with the rest of the world.

Capacity utilisation rose slightly to 77.0% but was lower than the same time last year in a net 32.0% of firms in the survey. Investment in plant and equipment declined in the survey period in a net 12.8% of firms. In the second quarter this will continue in a net 11.8%. For those who have invested the main incentives were increased efficiency (38.8%), replacement (25.4%) and capacity expansion (16.4%). Investment intentions were revised downwards due to poor sales and orders in 80.8% of the sample.

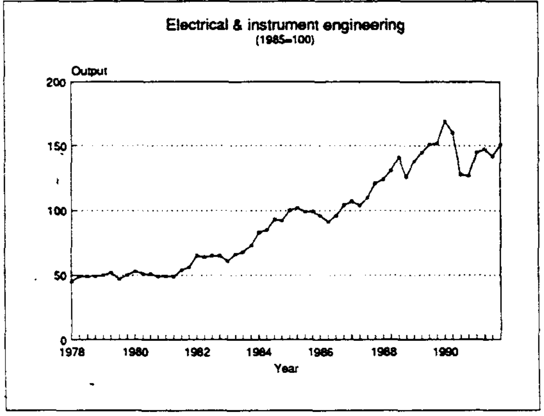
Employment fell in the first quarter in a net 14.4% of firms. The largest net declines occurred in male employment (15.0%), full time (16.5%), in self employment (14.7%) and temporary (12.7%). In the present quarter total employment is expected to rise in a net 6.7% of firms. Temporary and self employment is expected to fall in net 12.7% and 14.2% of firms.

Wages and salaries rose by 5.5% in the 42.9% of firms which granted increases. Salaries did not increase in a net 14.2% of firms. Continued cost cutting is evident in the net 11.6% of firms reporting a decline in overtime working. Firms' provision for training is expected to rise in a net 27.3% of firms and a net 3.8% did not attempt to recruit new staff. A net 77.4% of the sample had no problems in retaining staff and there was no evidence of any labour shortages.

ELECTRONICS

The latest figures for the Index of Production show that electronics output rose by 6% between the third and fourth quarters of last year. While this is clearly welcome news, however, the fourth quarter figure or 151 (1985 = 100) is still some way below the peak of 169 achieved at the beginning of 1990.

Looking beyond the picture in Scotland, the troubled state of the industry is very evident in the 1991 results of the world's largest electronics companies. Of the ten largest, six (IBM, DEC, UNISYS, Siemens, Olivetti and Groupe Bull) made losses in 1991, while the three Japanese Companies (Fujitsu, NEC and Hitachi) saw profits reduced. Of the industry majors, only Hewlett-Packard managed to increase profits slightly compared to 1990. While global recession has obviously played a major part in the above, it is also the case that electronics, particularly the dominant computer segment, is undergoing an element of structural change of the sort discussed in recent issues of this Commentary, and it is this aspect of the current industry situation which is more likely to affect growth prospects over the medium to longer term. Recent statements from executives of some of the leading computer companies show great concern over the industry's evolution towards "maturity", based on a slowdown in technological advance and an increased ease of entry into the market due to user acceptance of industry-wide standard devices (primary Intel microprocessors and the MS/DOS operating system). In the face of this, and the vast profitability which recently prevailed in the industry, low-cost manufacturing of standard products has changed the desktop personal computer from the ultimate office status symbol to a standard work item in around a decade, during the course of which the industry leaders' profits have fallen sharply.



While the end of the current recession will undoubtedly bring some relief, a more important avenue for renewal is probably new technical advance, and this is clearly a possibility given the vast R&D budgets of those in the industry. Indeed, one recent announcement in this area was Digital's decision to develop and produce the Alpha chip at South Queensferry, which will help the development of the workstation market. Another possibility for the near future is the advent of pen and voice activated machines, where some companies are currently developing systems. Clearly, the forecasts of doom must be put into some kind of perspective since, given recent history, it is almost impossible to believe that technical advance in electronics is a thing of the past, and it is likely that the most commercially significant of these will continue to be invented or developed by the leading companies.

In general, however, there does seem to be an acceptance that some element of maturity is beginning to persuade the industry's structure. The effect of this in Scotland would almost certainly be a reduced level of investment, particularly from the foreign sector, a consequently reduced rate of growth and the probability that the level of employment which results at the end of the current recession will become the "normal" level for the foreseeable future. Indeed, if anything, the prospects would be for some reductions as the industry majors seek to cut costs or accept a reduced level of business.

It is interesting to note that very similar sentiments are currently being echoed by the Secretary of State, who clearly signals the dangers posed to Scotland caused by new entrants and recession. Indeed, while Mr Lang may simply be speaking cautiously, reading between the lines one suspects the imminent announcement of gloomy news.

For the present, three new investments have recently been announced. Firstly, there is the decision by DEC that it is to invest £49m at its Greenock factory, a development which is expected to create 250 new jobs. Significantly in the light of what was said above, Greenock receives this new investment at a time when NEC is cutting the numbers of manufacturing centres which it operates, and is choosing to invest more at Greenock because productivity gains in the last few years make it NEC's most cost effective chip-making facility.

Secondly, the US company CUBIX, which produces remote access devices, is to set up a European headquarters at Livingston, expected to employ around 100 people. The facility will initially concentrate on software and assembly, but CUBIX eventually expects to undertake some development work specifically targeted for the European market.

And finally, a £3m joint venture between the German company ESCOM and Data Technology Holdings of the UK is to establish a factory at Prestwick to produce computer display monitors. It is hoped that up to 500 jobs could be involved. One significant aspect of the decision is that ESCOM is reported to have preferred Scotland over cheaper sites in Eastern Europe as a location for the factory and this, in conjunction with the NEC investment reported above, does demonstrate Scotland's ability to compete effectively for foreign projects. However, it still seems likely that this ability will be tested further in the next few years.

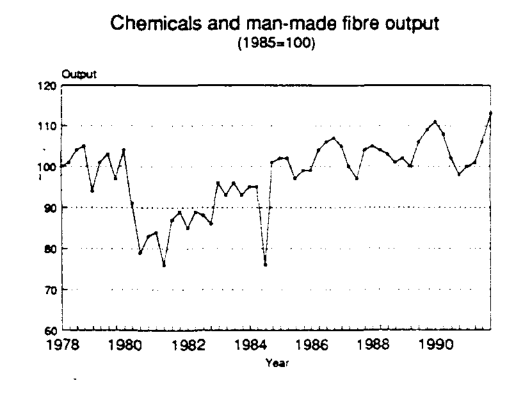
CHEMICALS AND MAN-MADE FIBRES

Encouraging news can be found in the latest index of Production and construction released by the Scottish Office. In 1991:4 the index of Production and Construction hit 113 (1985=100) showing quarterly growth of 6%. The U.K. chemicals industry remained stagnant over the same period. This figure of 113 is the highest recorded for the sector. Somewhat paradoxically, when we look at the year on year index, Scottish chemicals did not grow while the U.K. industry recorded growth of 3%.

An alternative source of information, the April Scottish Chambers Business Survey (SCBS), takes a similar but less bullish view. The SCBS shows that a net balance of 5.9% of respondents are less optimistic than in the previous quarter. This represents an small upturn in optimism.

In 1992:1 a net balance of 25.0% experienced a decline in the number of new orders obtained and sales remained unchanged. A further decline in orders and sales is expected by nets of 10.4% and 3.5% respectively. In the previous two surveys, respondents expected to see a recovery in the U.K. and World markets. This has yet to materialise and confidence in the Scottish market fell steeply in the first quarter of this year. New orders and sales within Scotland fell for nets of 33.3% and 8.3% respectively. As in previous surveys, trade with the rest of the U.K. and wider afar is expected to improve. The situation in Scotland is expected to decline further.

Capacity utilisation at 73.5% was down on the corresponding quarter in 1991 for a net 18.1% of firms. Stocks of finished goods and raw materials fell for nets of 30.0% and 32.1% of firms. A net 25% of respondents expect the de-stocking of finished goods to continue.



Investment in plant and equipment fell in 15.1% of cases. A net 9% are expecting a recovery in this quarter. New investment is mainly being stimulated by efficiency considerations (net 35%) and new projects (net 20%). A net 87.5% of firms again blamed the poor performance of orders and sales as the main output constraint.

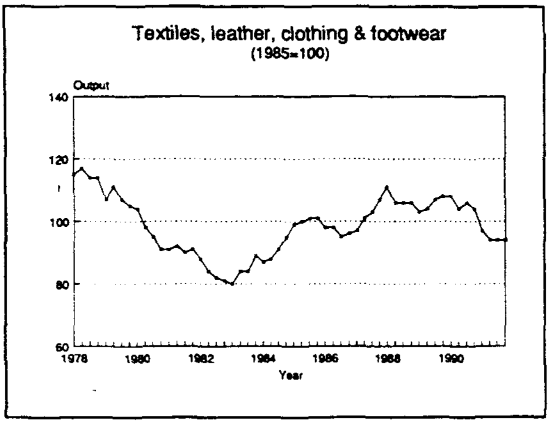
Wages and salaries increased by 4.8% in a net -41.2% of firms in the survey. Compared with the previous survey's figure of 6.6% this represents a substantial decline in inflationary pressure.

A net 9.1% of firms reported a decline in the use of all forms of employment. In the second quarter this decline should disappear in all but female, temporary and sub-contractual employment where nets of 9.7%, 10.0% and 11.7% expect a continued worsening of prospects. A net 42.8 experienced fewer difficulties in recruiting specialised employees and a net 94.2% had no problems in retaining their staff.

The problems faced by the Chemicals industry are laid out in Commentary, March 1992 and in a recent study by

County NatWest Woodmac. While stressing that recovery is just around a corner they note that short term profits growth will be inhibited by excess capacity, some 26% in the latest Scottish Chambers Business Survey. In the longer term the market will be affected by imports from the former Comecon countries of Eastern Europe.

TEXTILES, LEATHER, CLOTHING AND FOOTWEAR



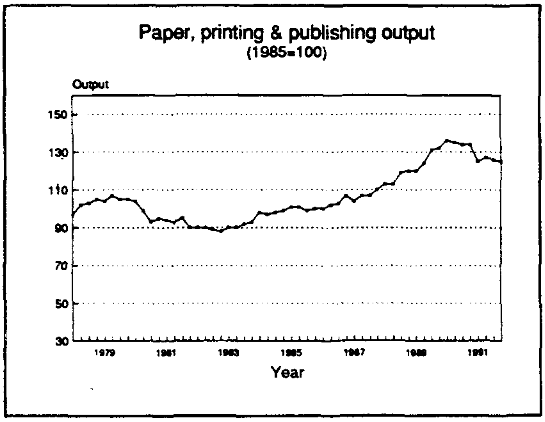
The value of the Index of Production in this sector was unchanged between the third and fourth quarters of last year for the third quarter in succession (the marginal 1% rise recorded over the previous quarter having been revised away), with this flat trend in Scotland essentially the same as that exhibited by the industry across the UK. There is, therefore, little evidence yet of an upturn of activity in Textiles, which is the sector most affected by falling output other than Metal Manufacture, with output falling by 10% in Scotland and 9% in the UK. Textiles continues to await an upswing in consumer spending, and the fall in output in the consumer goods industries of 6% in the year to the fourth quarter amply illustrates current problems. The lack of domestic consumer confidence is clearly failing to compensate for some of the more positive influences on the industry such as lower inflation, particularly as this has affected raw material prices. For example, wool and cotton prices are roughly one third cheaper than around 9 months ago.

Falling sales are clearly the major reason behind the sharp 26% fall in profits (to £25.1m) posted recently by William Baird, the Glasgow-based textiles and engineering group. The company is, however, forecasting a much brighter picture for 1992, partly fuelled by an expectation of growth in consumer spending, but also because of increased sales to Marks and Spencers who have weathered the recession better than many other high street retailers and who also have plans for further expansion into Europe.

Elsewhere in the industry, the recent decision by the EC that the Borders will be excluded from its RETEX programme (see QEC, March 1992), has stimulated an internal response which it is hoped will put pressure on ministers to argue for its reversal. A report by the industry pressure group Local Action for Textiles and Clothing (LATC) has argued that qualification for RETEX assistance should be on the basis of an area's dependence on textiles, and has brought out very clearly the industry's importance to the Borders economy. For example, it estimates that 84% of all production jobs in the Hawick area are textiles related, the highest proportion of any local area in the UK. In terms of manufacturing, 79% of all employment in the Peebles area is estimated to be reliant on textiles. Given this, the report rightly argues that the decision to exclude the Borders from assistance is a nonsense, and that urgent action should be taken to have the decision reversed.

PAPER, PRINTING AND PUBLISHING

The latest Index of Production and Construction, which refers to the fourth quarter of 1992, indicated a 1% decline in production in the Paper, Printing and Publishing Sector since the third quarter of 1991. Since the fourth quarter of 1990 output has declined by 7%.



Evidence from the latest Scottish Chambers' Business Survey shows an upturn in optimism in the paper, printing and publishing sector with a balance of 13% of respondents being more optimistic in the first quarter of 1992 than they had been in the fourth quarter of 1991. Total orders increased for a net of 10% of firms and total sales increased for a net of 6% of firms. Both are expected to continue to increase in the second quarter. Total employment declined in the first quarter of 1992 for a net 19% of firms and is expected to continue to decline. 36% of firms reported that they had experienced difficulties in recruiting suitable employees in particular occupations.

A management buy-out team successfully outbid Pearson by £5 million by offering £75 million for the Glasgow based George Outram, publisher of the Herald and Evening Times. The buy-out deal was backed by financial institutions in Scotland and England.

Despite a 26% drop in profits, MacFarlane, the Glasgow based packaging group bought over Star Products Packaging of Suffolk for £510,000. According to the chairman, Lord MacFarlane, the take over would provide an additional outlet for the group in the south-east of England and would strengthen its distribution network.

Caledonian Paper, the Finnish-owned paper mill in Irvine lost £2.9 million in 1991 due to the recession and increased competition. The company still managed to cut its losses by 30%.

Hamilton-based label manufacturers Gilmour & Dean was involved in a £750,000 management buy-out in April of this year from parent company John Waddington of Leeds. The management team also have to repay an existing inter-company loan of £460,000. The deal was backed by the venture capital group 3i and the Bank of Scotland; the five-strong board will take approximately 67% of the company's capital with the balance held mainly by 3i.

SERVICES

FINANCIAL SECTOR

Events in the financial sector this quarter have been overshadowed by the possible fall out from either a Hong Kong and Shanghai Bank-Midland Bank merger or a Lloyds-Midland merger. The first combination has relatively few implications for Scotland. The merger would strengthen the capital structure of the Midland and hence its competitive position in England with possible consequences for the Scottish Banks operating South of the Border, but in the main the effect would be small. There appear to be few synergies between the Hong Kong and Shanghai Bank (HSBC) and the Midland at least as far as the domestic market is concerned. What is being created is a UK/HK bank with important international activities in which the two main domestic businesses would continue much as before since the HSBC does not, as its expansion in the US and Australia confirms, have the depth of management available that could be used to sort out problems in the Midland. The Midland would almost certainly continue with little change although with a strengthened capital base and possibly more appeal to companies importing/exporting particularly to the Far East. The most important influence of the deal on Scotland could well be the prospect of a HK/UK international bank run by Scotsmen!

The consequences of a Lloyds-Midland merger, in contrast, could be very different for Scotland. One unintended event could be that it would clear the way for a merger between the Royal Bank and HSBC. The Royal is a very different bank from the one on offer in 1981 (until the Monopolies and Merger Committee prevented any takeover) but the changes since then could make it even more attractive. The HSBC would not be acquiring an obvious recovery situation, unlike the proposed Midland merger, but at the same time, given its limited management capability, it would be taking on a much less risky venture. Many of the arguments that could be made for a HSBC-Midland merger may also be made for a HSBC-Royal Bank merger. Indeed, given the HSBC's experiences in investing outside of Hong Kong such a merger would make more sense, particularly as a Lloyds-Midland merger could offer branch acquisition opportunities for a well capitalised bank looking for expansion.

More important than opening up opportunities for the acquisition of the Royal Bank, a Lloyds-Midland merger could fundamentally change the UK banking scene. Much attention has been given to the opportunities for cost saving that the merger might bring about, with the closure of adjacent branches, the removal of overlapping head office functions and the introduction of a single computer network. If we accept that these cost savings are possible, an assumption that should definitely be questioned, then the cost ratio of the new bank would be greatly reduced and its competitive position enhanced. The English market would pose much greater difficulties for the expansion plans of the Royal Bank and the Bank of Scotland than it appears to have done in the last few years.

Of course, the cost savings might never materialise or may take so long to come through that the advantages in the future are outweighed by the present costs. How often has one heard that computer systems can be easily integrated together? Much more likely that the process will prove to be a technological nightmare and extremely costly. What will happen when customers are asked to use other, by definition, increasingly busy branches? Will they stay with the merged group or will some of them migrate to other more convenient institutions? The benefits of cost savings and synergies sound good but if they are so readily available why is it that the UK's existing large banks, National Westminster and Barclays aren't demonstrably outperforming all the other UK banks?

Apart from the possibilities for cost cutting suggested by the merger the other aspect that is much discussed, is the possibility of a bank, possibly Scottish, acquiring branches from the new merged Lloyds. Such a move might enable the Royal Bank or the Bank of Scotland to expand South of the Border but it's not clear that it would be very desirable. Of course, most things depend on the price. If the price is low enough anything may be attractive, but in general the working hypothesis must be that such a move is unlikely to prove desirable. For one thing Lloyds will attempt to retain all its customers or if it does dispose of branches as a going concern (perhaps because of the Monopolies Commission) it will attempt to dispose of the least profitable. For another, it is unlikely that either of the two major Scottish banks has the spare systems capacity or the management skills to take on a huge increase in branch numbers quickly. In any event the question remains as to whether it is the sort of business they want to be in. The retail sector of the UK market is highly competitive, a result of the changes in the building society industry as well as in banking. The prospect of cross selling other financial products to bank customers has not proved the panacea it once seemed, and whilst it has been successful in some instances it has not always been through the branch network. In recent years the banks have been shedding branches and reorganising into more viable units. The acquisition of a large number of retail branches may not be an appropriate way forward, particularly as it is unlikely to offer the acquiror entry into the small to medium size corporate business which is often viewed as the most desirable area of business since competition here is less fierce and hence profit margins high.

The worst scenario for Scotland would appear to be a Lloyds-Midland merger. This could create a very competitive bank if the forecast cost savings could be achieved and would leave the HSBC still looking for a partner. The lower cost ratios would be a threat to the expansion plans of the Scottish banks and could even, in due course, see the new strengthened merged bank expanding north. It is unlikely, however, that all the cost savings will emerge. The benefits have almost certainly been overstated and the costs understated. There may even be opportunities for the Scottish banks, particulary the Royal, to acquire customers upset by the changes.

The hardest hit are likely to be the small businesses as a result of the reduced competition brought about by the reduction in the number of major clearers. The small business market is, unfortunately, difficult for other banks to penetrate because of its essentially regional character and the high cost of acquiring information and clients.

On balance, the merger of Lloyds and Midland is unlikely to pose too much of a competitive threat to the Scottish banks. It will put pressure on them to reduce costs but it will also provide opportunities to expand in areas of the market abandoned by the new merged bank in pursuit of rationalisation gains. The biggest fear is a possible merger between a thwarted HSBC (if it loses to Lloyds) and the Royal Bank. The question would have to be what is gained by such a merger? The HSBC has not been noticeably successful in its overseas ventures, whilst the Royal Bank's management has little experience outside the UK. A dangerous combination?

DISTRIBUTIVE TRADES

The most recent Scottish Chambers' Business Survey (SCBS) reported that a net 7% of wholesaler respondents had experienced a lower trend in sales in the first quarter of this year compared with Q1 1991. A small net majority of wholesalers were less optimistic concerning the business environment in March 1992 than they had been last December, and a significant majority were less optimistic than they had been in March 1991. On balance, wholesalers did not expect any significant improvement in year-on-year sales trend during the second quarter.

As predicted in the previous Survey, and continuing the trend established last year, a net majority of wholesalers (plus 5%) reported first quarter declines in total employment. Again conforming with previous Surveys, net falls were recorded in all employment categories: male, female, full-time, part-time and temporary. More encouragingly, a small increase in wholesale employment was predicted for the second quarter, concentrated entirely in full-time male workers. 38% of SCBS wholesalers had increased wages/salaries between January and March, by an average 7%.

In terms of business optimism, the geographical pattern of wholesale responses to the March SCBS is shown in Table 1.

TABLE 1 WHOLESALER OPTIMISM

Chamber area	Net % more optimistic Q1 1992	Q4 1991
Fife	-14*	-17
Central	-17*	+25*
Edinburgh	-22	0
Aberdeen	+ 6	+ 5
Glasgow	- 9	-11
Dundee	-14	0

* based on less than 10 responses

In contrast with wholesalers, a balance of 7% of SCBS retailers reported an increased year-on-year sales trend in Q1 1992, which was better than had been predicted last December. A substantial net 19% of March respondents expected the improved sales performance to continue in the second quarter. In view of these sales results, it is perhaps surprising that retailer optimism was essentially unchanged in March.

TABLE 2 RETAILER OPTIMISM

Chamber area	Net % more optimistic Q1 1992	Q4 1991
Fife	- 5	+17
Central	+22*	+13
Edinburgh	+10	+12
Aberdeen	-15	- 6
Glasgow	+ 5	+ 6
Dundee	+ 8	- 1

* based on less than 10 responses

Continuing last year's trend, total employment in retailing fell in the first quarter according to a net 11% of March SCBS respondents. As in wholesaling, job losses were reported in all employment groups. Further job reductions were predicted for the second quarter. 26% of retailers increased wages/salaries in the first quarter, by an average 5.3%.

Table 2 shows the geographical breakdown of March SCBS retail responses in terms of business optimism.

TRANSPORT

A buyout by the management and employees of Strathclyde Buses has been approved by the Strathclyde Regional Council. However the £28.1 million deal has also to be accepted by the Scottish Office.

The introduction of a roll on/roll off ferry service from Dundee to Emshaven in The Netherlands will probably not get started until the capital needed has been raised, which could be next spring.

According to Mr Karel van Miert, the EC transport commissioner, there could be an acceleration in the process of liberalising European air transport. This progression could mean airlines being free to fix air fares (with the Commission attempting to protect against exploitation by air lines) and allowing an airline from one EC country to operate domestic flights in another member state. An agreement could be finalised in June.

The Lothian and Edinburgh Environmental Partnership has been set up in order to match motorists with suitable travellers, using a computer database. The scheme is targeted at motorists entering Edinburgh from Glasgow, the Lothians, the Borders and Fife. This could reduce the number of cars entering the city centre by 2000 a day.

HEALTH

The general election result has clear implications for the health sector in Scotland, already being made manifest, as indicated in headlines such as "Scottish managers speed towards trust status" (Health Service Journal) and "major health unions will cooperate with trusts" (Glasgow Herald). Clearly the major players in the health service see little point in opposing the government's health service policies at this new stage of the game. Press commentary suggests most Scottish hospitals will go the trust route in the next three years: this has already been signalled for the hospitals in Dumfries and Galloway and for all the provider units in Grampian. Amongst others mooted are the Royal Hospital for Sick Children at Yorkhill in Glasgow, the Southern General and Victoria in the same city, the Monklands District hospital, Paisley's Royal Alexandra hospital, and the Princess Margaret Rose in Edinburgh. Much of the drive for trust status comes from the managerial side: it will be interesting to observe the strategies adopted by everyone else in the system to adapt to and cope with the new realities.

Little has emerged so far on the reaction of General Practitioners. Few practices are currently budget-holding. Indeed some in Scotland never will be unless the rules are changed: their practices simply contain too few patients.

It should be made clear what is intended by the reforms. The resource 'pot' remains around the same size, with some possible expansion of the private sector generating more resources. The finance remains largely tax-based. A clear split is developed between purchasers and providers and a system of markets develops using contracts. Typically, a General Practice will purchase health care on behalf of its patients and a hospital will mainly operate as a provider of services. Holding the ring to some extent will be the Health Boards, who will still have strategic responsibility for the health of the populations in their areas and may, in their role as purchaser of some services, be able to influence the nature of health care provision. The theory is that, once developed, the market system will provide health services in an efficient manner will plenty of scope for choice by patients and their doctors.

It looks as if the role of the Health Boards in decision-making is going to be sharply reduced, and possibly also the role of the SHHD. Any 'bureaucratic' costs thus saved might well be outweighed by the predictable increase in administrative costs that will arise from devising and policing contracts. The need for 'good' information, for example on the costs of the myriad of activities involved in health provision, the lack of which has long been recognised in the NHS, is paramount. it is likely that considerable initial effort will be placed on assessing costs for the pricing of activities for contractual purposes. If this effort proceeds without commensurate attention to the outcomes of health sector processes there could be early disillusionment with the workings of the market.

We are in for an interesting period. Will the competitive market, tempered by Patient Charters, really be allowed to work? Will the setting of targets on such matters as waiting lists deliver the effective health care the government seeks? If the government has the courage of its convictions it will presumably have to 'stand by' as hospitals and other health units close, for example. Meanwhile community health services are due for the (postponed) shake-up in 1993, a development which has significant implications for the delivery of health.

Ultimately the changes have to be judged by their impact on the health and welfare of the people of Scotland. One can only hope at this stage that the market experiment on which we are embarked does not lead to 'market failure'.

THE LABOUR MARKET

Past Commentaries have noted that recent experience of changes in official estimates of employment data emphasise the need for caution amongst those who seek to interpret recent labour market trends. The most recent revisions of the employment data are presented in Table 1.

September 1991 is the most recent date for which employment data are available using both the old and the recently revised benchmarks. Total employment at this date is estimated to be 1,981 thousand rather than 1,958 an increase of 25,000 (1.2%). Estimates of male employees in employment increased noticeably by 19 thousand (1.9%) in September 1991 from 1011 to 1030 thousand. Estimates of total female employees have been revised upwards by 4 thousand (0.4%) to 951thousand. However, estimates of part-time female employment actually fell by 6 thousand to 412 thousand in September 1991, a fall of 1.4%. Accordingly, estimates of full-time female employment have been subject to upward revisions, from 529 to 539 thousand in September 1991, for example, a decline of 47 thousand or 1.8%. There is also a decline in estimated "full time equivalent" employment of about 11 thousand ("part-time" assumed to be "third-time"), of about 10 thousand or 0.69%.

Nor is it simply the sex and part-time/full-time composition of employees in employment which is affected by the revisions: there are also changes at the sectoral level. The upward revisions in the employment estimates are heavily concentrated in the service industries. Indeed of the total increase of 23 thousand in estimated employment (at September 1991), 21 thousand is attributable to the service industries. Within the production and construction industries manufacturing employment has apparently been underestimated (by 6,000 in September 1991), whereas employment in the energy and water and the construction industry has been slightly overestimated (by 1,000 and 2,000 respectively at September 1991). Within manufacturing, it seems that recent estimates have overstated employment in metal related industries and chemicals and vehicles (by about 8,000) and underestimated employment in other manufacturing (by 14,000). Within services employment in banking etc has been significantly under recorded (by over 21,000 in September 1991, whereas that in Public administration, education and other services has been over-estimated (by about 12,000).

The most recent employment data are for December 1991, and those are also reported in Tables 1 and 2. Overall, total employees in employment fell by 7,000 (0.3%) in the year to December 1991. Male employees in employment fell by 12,000 (1.1%), and total female employment increased by 6,000 (0.6%). Part-time female employment rose by 2,000 (0.4%), and full-time female employment actually rose by 3,000 (0.6%). If part-time is interpreted as "one-third time", then full time equivalent employment fell by about 8,000. The number of employees in employment in production and construction fell by 39,000 over the year to December 1991, but numbers employed in services increased by some 31,000, a pattern consistent with the increase in female employment.

Over the year to December 1991 the biggest employment gains were registered by: banking etc (21,000) and public admin. etc. (8,000). Construction again registered the biggest employment losses (8,000), but employment also fell in each manufacturing industry (by a total of 20,000).

Vacancies: Stocks and Flows

Over the year to April 1992 unfilled vacancies at job centres in Scotland fluctuated between 15.6 (15.8) and 19.9 (20.1) thousands on a seasonally adjusted (unadjusted) basis (Table 3). Vacancies rose by 0.6thousands from 19.3 to 19.9 thousands over the year to April 1992 on a seasonally adjusted basis. The net increase in the stock of unfilled vacancies conceals much larger gross inflows and outflows (Table 4). These were of a similar order of magnitude to the outstanding stock of vacancies in each month. For example, in April 1992 inflows of 22.9 thousand were only slightly greater than outflows. During 1991 there were a total of over 214,000 vacancies at job centres, well over 90% of which resulted in placings. The short average duration of vacancies is a sign that employers on average do not find it difficult to fill posts because of a continuing slackness in the labour market (although employers may still find it difficult to recruit specific skills in particular locations).

Unemployment: Stocks and Flows

Recent data on the seasonally adjusted unemployment stock are presented in Table 5. The most recent data, of course, reflect the current rules governing eligibility to claim benefit which have been in place since September 1988. These reflect the extension of a guaranteed offer of a YTS place to all those under 18 who have not found a job, under the Employment Training Scheme. Under 18s are consequently not entitled to claim benefit and so are excluded from the unemployment count.

Unemployment, on a seasonally adjusted basis, rose in each of the ten months up to and including August 1991, fell in September and remained constant in October of that year. In contrast unemployment continued to rise in the UK as a whole. However, unemployment then increased in 5 of the 6 months up to and including April of this year, the exception being March 1992 in which unemployment by 0.2 thousand.

Over the year to April 1992 total unemployment rose by about 19.5 thousand, from a low of 214.4 thousand or 0.8full percentage points. This represents a major increase in the level of unemployment of 9.1 per cent. In fact the aggregate figures reflect an increase in female unemployment of 2.3 thousand, and an increase of 17.2 thousand in male unemployment.

Table 6 presents recent flows into and out of the unemployment stock. In April 1992 inflows were, at 33.5 thousand, about 0.3 thousand less than in the same month of 1991. Outflows were, at 33.1 thousand, 1.3 thousand more than in April 1991. If gross outflows were maintained at their January 1992 level unemployment stocks could turnover in just over 7 months.

BUSINESS SURVEY EVIDENCE

Results from the Scottish Chambers' of Commerce Business Survey for the first quarter of 1992 provide further evidence as to the impact of the economic recession on the operation of the Scottish labour market.

Negative trends in employment were reported in all sectors. However, the rate of decline slowed marginally in Manufacturing, Construction and Retail, but increased in Tourism and Finance.

There was no evidence as to any general upturn in the demand for labour in the first quarter of 1992. A further slowing down in the rate of decline in employment levels is expected for the second quarter, but only Wholesale expect a small positive trend in employment levels.

The trends in total employment in the first quarter continue to reflect the weakness in the demand for labour. As Table 7 shows downwards trends in employment levels were reported in all sectors for the third quarter in succession.

A marginal slowing down in the rate of decline in employment levels was apparent in Manufacturing, construction and Retail. However, no change in the rate of decline was reported in Wholesale, and a steepening of the decline in the demand for labour was reported in Finance and Tourism and Leisure. Compared to the same period in 1991, the downward trends in employment [based on net balances of responses] is considerably steeper in Finance, Tourism and Leisure, steeper in Wholesale. Whereas a slight slowing down in the rate of decline in employment levels has taken place in Construction and manufacturing and a more significant slowing down has featured in Retail.

The pattern in Table 7 suggests that the first and second quarters of 1991 were the time when the greatest numbers of establishments in Manufacturing, Construction, Retail and Tourism and Leisure shed labour. Only in Retail has there been a consistent slowing down in the rate of decline in total employment levels. In Manufacturing there has been little change to the rate of decline since the first quarter of 1991, whereas in Tourism and Leisure a marginal slowing down is evident. In Construction no clear pattern has emerged, although there has been a slowing down in the rate of decline between the second quarter of 1991 and the present quarter. In contrast the highest proportion of Wholesale and Finance establishments shedding labour occurred in the first quarter of 1992.

The continuing downward trend in employment levels all sectors, notwithstanding marginal reductions in the rate of decline in employment levels in Manufacturing, Construction and Retail suggests no real, nor substantial improvement in the demand for labour over the first quarter of 1992. Nevertheless, the progressive weakening of the rate of decline in Retail employment does provide some, albeit limited, signs of change.

However, a comparison of the percentages of firms seeking to recruit staff in the first quarters of 1991 and 1992 [see Table 8] reveals no signs of any improvement in labour demand.

Negative balances for total employment in manufacturing were reported again in every region, except Fife. As in previous quarters the negative trends in manufacturing employment were below the national average in Aberdeen and the Highlands and Fife.

The trends in construction employment were negative in all regions. The lowest rates of decline in the demand for labour were in the Aberdeen and Glasgow areas. Overall the demand for labour in construction remains very depressed, with only a slight improvement expected in the second quarter.

Positive trends in employment levels in Wholesale were reported in Central and Aberdeen and the Highlands. Fife reported no change, whereas negative trends were reported in Dundee, Edinburgh and Glasgow. In Retail a slight slowing down in the rate of decline in employment was reported in the first quarter. The results suggest a drop in the numbers of temporary employees, once again demand appeared strongest for part time employees.

A downward trend in employment in all regions, except Central, was reported in Tourism and Leisure. The downward trends were steeper for all types of employment in Tourism and Leisure. The negative balances of employment were below average in Glasgow, Aberdeen and the Highlands and the Central regions. The deterioration in employment levels was most marked in the Edinburgh area.

Employment in the financial sector continued to decline in the first quarter of 1992. In Central, Fife, Edinburgh and Glasgow more than half of all respondents in the Financial sector reported declines in total employment. The results continue to show a trend towards the greater employment of part time and temporary staffs. The only positive trends were for the employment of temporary staff, and the lowest rates of decline in employment were for part time staffs.

Further indictions as to the general weakness in the demand for labour is shown in Tables 8 and 9. Table 9 indicates that the percentage of establishments seeking to recruit staff continued to fall in most sectors, apart from marginal increases in manufacturing, and wholesale.

A comparison of the first quarters of 1991 and 1992 shows no real increase in the percentages of firms seeking to recruit staff. Significant reductions in the percentages of firms recruiting in the first quester of 1992 in Construction, and to a lesser extent in Wholesale and Finance suggests a continuing weakness in labour demand in these sectors.

Information as to the percentages of firms reporting increased difficulties in recruiting staff is shown in Table 9. The continuing low levels reported in all sectors provides further evidence as to the weakening in the demand for labour in most sectors.

The average level of wage and salary settlements continues to fall in most sectors. The average settlement in the first quarter ranged between 5 - 7%. Over the past year the average settlement range has fallen by 4%.

The average level of wage and salary increases continued to decline in the manufacturing, retail and finance sectors in the first quarter of 1992. However, increases were reported in Construction and Wholesale.

As Table 10 indicates the average level of wage and salary settlements have fallen over the past 12 months by 5.5% in Finance, 3.1% in Retail, 3.4% in Manufacturing, 1.9% in Construction, by 4.4% in Tourism and leisure and by 4% in the Wholesale sector. The settlement range is now between 4.1% and 7.6%.

TABLE 1 EMPLOYEES IN EMPLOYMENT IN SCOTLAND: INDUSTRY AGGREGATES ('000s)
(Figures in square brackets reflect the 1989 and 1990 LFS. The latest estimates reflect the impact of the 1991 LFS.)

SIC 1980		MALE	FEMALE		TOTAL	Prod. & Const.	Production	Manufacturing	Services
			All	P/T		1-5	1-4	2-4	6-9
1979	June	(1,205)	(897)	(332)	(2,102)	(831)	(676)	(604)	1,224
1989	Mar	(1,015) [1,016]	(914) [924]	(387) [376]	(1,929) [1,941]	(587) [601]	(440) [476]	(401) [418]	(1,314) [1,311]
	June	[1,018]	[941]	[384]	[1,959]	[599]	[474]	[416]	[1,331]
	Sep	[1,034]	[934]	[389]	[1,968]	[594]	[460]	[402]	[1,344]
	Dec	[1,033]	[939]	[401]	[1,972]	[595]	[461]	[402]	[1,349]
1990	Mar	[1,027]	[930]	[395]	[1,957]	[591]	[457]	[397]	[1,337]
	Jun	[1,031]	[942]	[406]	[1,974]	[591]	[458]	[398]	[1,353]
	Sep	[1,040] 1,043	[943] 943	[406] 404	[1,983] 1,986	[597] 594	[465] 464	[405] 405	[1,356] 1,362
	Dec	[1,034] 1,043	[946] 949	[417] 416	[1,980] 1,992	[591] 589	[462] 462	[401] 403	[1,362] 1,376
1991	Mar	[1,021] 1,035	[936] 941	[412] 413	[1,956] 1,976	[573] 571	[449] 450	[388] 391	[1,356] 1,377
	June	[1,015] 1,031	[944] 951	[414] 415	[1,959] 1,981	[562] 561	[443] 444	[383] 385	[1,368] 1,391
	Sep	[1,011] 1,030	[947] 951	[418] 412	[1,958] 1,981	[560] 561	[443] 448	[383] 389	[1,370] 1,391
	Dec	1,031	954	418	1985	550	441	383	1,407

Source: Department of Employment Gazette

TABLE 2 EMPLOYMENT: SCOTLAND EMPLOYEES IN EMPLOYMENT (000's)*

SIC 1980		Agric./ forestry/ fishing 0	Energy & Water 1	Metal Man. & chemicals 2	Metal goods, Eng. & vehicles 3	Other Man. 4	Const. 5	Distribution Hotels & Catering: repairs 6	T'sport & Comm. 7	Banking, insurance & finance 8	Public admin, education & other services 91-92
1979		48	72	82	258	265	155	[391]	135	123	[573]
1989	June	[29]	[58]	[47]	[166]	[202]	[125]	[385]	[116]	[174]	[656]
	Sep	[30]	[59]	[48]	[168]	[207]	[124]	[387]	[116]	[176]	[664]
	Dec	[28]	[60]	[49]	[169]	[206]	[122]	[384]	[116]	[177]	[676]
1990	Mar	[28]	[61]	[49]	[168]	[203]	[121]	[374]	[117]	[179]	[678]
	June	[30]	[61]	[47]	[170]	[207]	[120]	[387]	[115]	[180]	[683]
	Sep	[30] 29	[63] 59	[47] 43	[172] 167	[212] 195	[120] 130	[392] 416	[115] 113	[182] 195	[685] 639
	Dec	[27] 27	[61] 59	[44] 41	[169] 164	[189] 197	[129] 127	[412] 417	[108] 112	[184] 196	[657] 652
1991	Mar	[28] 28	[61] 60	[43] 39	[165] 158	[181] 193	[123] 121	[404] 410	[106] 110	[189] 205	[657] 651
	Jun	[29] 28	[60] 59	[42] 38	[161] 153	[180] 194	[120] 117	[408] 415	[107] 111	[187] 205	[665] 660
	Sep	[29] 28	[60] 59	[42] 38	[161] 157	[180] 194	[116] 114	[408] 415	[108] 112	[182] 203	[673] 661
	Dec	28	58	38	155	190	109	418	111	217	660

* Figures in parentheses reflect estimates based on 1987 census and 1989 LFS. The more recent estimates are based on the 1989 census and the preliminary results of the 1990 LFS.

Source: Department of Employment Gazette

TABLE 3 UNFILLED VACANCIES AT JOBCENTRES - SCOTLAND ('000s)					
	Seasonally adjusted			Vacancies at Careers Offices	
	Number	Change since previous month	Average change over 3 months ending	Unadjusted Total	Unadjusted
1989 Jan	20.0	-0.3	-0.1	17.0	0.5
May	20.5	0.2	0.2	21.5	0.7
Jun	21.8	0.0	0.7	23.3	1.0
Jul	21.8	0.0	0.5	23.1	0.9
Aug	22.1	0.3	0.5	22.7	0.9
Sep	22.6	0.5	0.3	24.5	1.0
Oct	23.4	0.8	0.5	25.2	0.8
Nov	24.7	1.3	0.9	25.3	0.9
Dec	23.4	-1.3	0.3	21.9	1.1
1990 Jan	22.8	-0.3	-0.1	19.8	1.1
Feb	22.3	-0.5	-0.7	19.2	1.0
Mar	22.3	0.0	-0.3	20.5	1.2
Apr	23.0	0.7	0.1	22.9	1.5
May	22.7	-0.3	0.1	23.6	1.3
Jun	22.4	-0.3	0.0	23.8	1.4
Jul	22.2	-0.2	-0.3	23.3	1.2
Aug	22.4	0.2	0.1	23.2	1.1
Sep	22.4	0.0	0.0	24.5	1.1
Oct	21.8	-0.2	-0.2	24.0	0.9
Nov	18.7	-3.1	-1.3	19.4	0.9
Dec	16.6	-2.0	-1.8	15.2	0.6
1991 Jan	19.1	2.5	-0.9	15.6	0.7
Feb	22.6	3.6	1.3	19.8	0.6
Mar	23.9	1.3	2.4	21.8	0.6
Apr	19.3	-4.6	0.1	19.4	0.7
May	17.7	-1.6	-1.6	18.5	0.8
Jun	17.2	-0.5	-2.1	18.8	0.9
Jul	16.2	-1.1	-1.1	17.1	0.8
Aug	15.6	-0.6	-0.7	16.3	0.7
Sep	15.9	0.3	-0.5	18.6	0.6
Oct	17.3	1.4	0.4	19.6	0.6
Nov	17.4	0.1	0.6	18.2	0.6
Dec	17.3	-0.1	0.5	15.9	0.4
1992 Jan	17.9	0.6	0.2	14.4	0.5
Feb	18.7	0.8	0.4	15.8	0.4
Mar	19.0	0.3	0.6	16.9	0.6
Apr	19.9	0.9	0.7	20.1	0.5

Source: Department of Employment Press Notice

TABLE 4: VACANCY FLOWS AT JOBCENTRES, STANDARDISED, SEASONALLY ADJUSTED - SCOTLAND						
	In-flow		Out-flow		Thousands of which: Placings	
Date	Level	Average change 3 months ended	Level	Average change 3 months ended	Level	Average change 3 months ended
1989 Apr	21.3	0.3	20.9	0.1	17.6	0.0
May	21.4	-0.2	20.9	-0.5	17.7	-0.5
Jun	21.9	0.3	20.1	-0.4	17.1	-0.3
Jul	22.1	0.3	22.0	0.4	18.5	0.3
Aug	23.1	0.6	22.8	0.6	19.2	0.5
Sep	22.6	0.2	22.2	0.7	18.6	0.5
Oct	24.1	0.7	23.4	0.5	19.8	0.4
Nov	24.6	0.5	23.4	0.2	19.7	0.2
Dec	22.1	-0.2	22.6	0.1	19.1	0.2
1990 Jan	20.1	-1.2	21.2	-0.6	17.9	-0.5
Feb	22.7	-0.4	23.4	0.1	19.4	0.0
Mar	22.3	0.1	22.3	0.0	18.5	-0.1
Apr	22.4	0.8	22.2	0.3	18.4	0.2
May	22.5	0.1	22.3	-0.4	18.4	-0.3
Jun	21.6	-0.2	1.9	-0.1	18.1	-0.1
Jul	23.5	0.4	23.5	0.4	19.7	0.4
Aug	23.2	0.2	22.8	0.2	18.8	0.1
Sep	22.9	0.4	22.9	0.3	18.6	0.2
Oct	22.4	-0.4	22.9	-0.1	18.7	-0.2
Nov	21.9	-0.4	25.8	1.0	20.6	0.6
Dec	21.1	-0.3	21.8	-0.3	17.6	-0.3
1991 Jan	21.9	-0.1	20.5	-0.8	16.6	-0.7
Feb	22.5	0.2	18.7	-2.4	15.2	-1 8
Mar	21.9	0.2	20.8	-0.3	17.4	-0.1
Apr	22.3	0.1	25.8	1.8	21.6	1.7
May	22.4	0.0	26.0	2.4	21.6	2.1
Jun	20.1	-0.6	20.3	-0.2	16.7	-0.2
Jul	20.0	-0.8	20.7	-1.7	16.9	-1.6
Aug	19.5	-1.0	20.0	-2.0	16.4	-1.7
Sep	20.6	0.2	20.4	0.0	16.8	0.0
Oct	23.3	1.1	22.5	0.6	18.7	0.6
Nov	19.7	0.1	19.8	-0.1	16.1	-0.1
Dec	21.2	0.2	20.6	0.1	17.3	0.2
1992 Jan	19.7	-1.2	20.4	-0.7	17.1	-0.5
Feb	20.1	0.1	18.7	-0.4	15.6	-0.2
Mar	22.4	0.4	22.3	0.6	18.8	0.5
Apr	22.9	1.1	22.1	0.2	17.7	0.2

Source: Department of Employment

TABLE 5: SCOTLAND - UNEMPLOYMENT - SEASONALLY ADJUSTED (excluding school leavers ('000s) (figures in parentheses reflect estimates on September 1988 basis - see text for details)						
Date	Male	Female	Total	Change since previous month	Average change over 6 months ending	Unemp. rate % of working population
1985	243.6	109.3	353.0			14.2
1986	248.1	111.8	359.8			14.5
1987	214.5	87.8	302.3	2.8	-4.1	12.2
1988 Dec	186.7	73.5	260.2	-6.3	-3.3	10.5
1989 Apr	175.1	68.2	243.3	-7.2	-4.5	9.7
May	172.8	66.7	239.5	-3.8	-4.5	9.7
Jun	170.0	65.0	235.0	-4.5	-4.2	9.4
Jul	168.9	63.9	232.8	-2.2	-4.0	9.4
Aug	167.7	63.3	231.0	-1.8	-3.7	9.3
Sep	163.0	61.8	224.8	-6.2	-4.3	9.1
Oct	159.2	60.4	219.6	-5.2	-4.0	8.8
Nov	155.8	59.0	214.8	-4.8	-4.1	8.6
Dec	153.0	57.5	210.5	-4.3	-4.1	8.5
1990 Jan	151.1	56.8	207.9	-3.3	-3.8	8.3
Feb	150.8	56.2	207.0	-0.9	-3.6	8.2
Mar	149.6	55.4	205.0	-2.0	-3.1	8.2
Apr	148.5	55.3	203.8	-1.2	-2.6	8.1
May	147.1	54.3	201.3	-2.4	-2.2	8.0
Jun	147.0	54.1	201.1	-0.3	-1.7	8.0
Jul	147.9	53.6	201.5	0.4	-1.1	8.0
Aug	147.6	52.8	200.4	-1.1	-1.1	8.0
Sep	147.6	51.6	199.2	-1.2	-1.0	7.9
Oct	146.9	51.0	197.9	-1.3	-1.0	7.9
Nov	147.8	50.8	198.6	0.7	-0.5	7.9
Dec	149.6	51.2	200.8	2.2	-0.1	8.0
1991 Jan	150.3	51.2	201.5	0.7	0.0	8.1
Feb	153.0	51.7	204.7	3.2	0.7	8.2
Mar	157.0	52.3	209.3	4.6	1.7	8.4
Apr	160.4	54.0	214.4	4.8	2.6	8.5
May	163.9	55.2	219.8	4.7	3.3	8.7
Jun	166.5	55.4	221.9	2.8	3.3	8.8
Jul	169.4	56.2	225.6	3.7	3.8	8.9
Aug	170.9	56.1	227.0	1.4	3.5	9.0
Sep	170.4	55.3	225.7	-1.3	2.7	9.0
Oct	171.0	54.7	225.7	0.0	1.9	9.0
Nov	172.6	54.5	227.1	1.2	1.3	9.0
Dec	173.6	54.3	227.9	1.4	0.9	9.0
1992 Jan	176.0	54.9	230.9	3.0	0.9	9.2
Feb	176.2	55.3	231.5	0.6	0.9	9.2
Mar	175.5	55.8	231.3	-0.2	0.9	9.2
Apr	177.6	56.3	233.9	2.6	1.4	9.3

Source: Department of Employment

TABLE 6: UNEMPLOYMENT FLOWS - STANDARDISED, UNADJUSTED: SCOTLAND ('000s)		
Month ending	In-flow	Out-flow
1989 Apr	30.5	38.9
May	27.3	38.6
Jun	27.9	35.5
Jul	37.1	33.5
Aug	30.9	33.5
Sep	33.0	41.6
Oct	31.9	38.2
Nov	31.5	34.2
Dec	27.8	26.8
1990 Jan	29.7	22.9
Feb	31.9	35.7
Mar	29.5	35.5
Apr	29.7	33.3
May	25.8	35.9
Jun	29.1	31.5
Jul	38.5	30.2
Aug	29.9	30.5
Sep	32.5	37.6
Oct	33.0	35.3
Nov	34.1	31.1
Dec	31.6	25.3
1991 Jan	31.3	20.8
Feb	34.0	32.9
Mar	32.9	31.6
Apr	33.8	31.8
May	30.9	32.7
Jun	31.0	30.9
Jul	44.4	30.5
Aug	32.8	30.9
Sep	33.9	41.0
Oct	34.6	36.3
Nov	34.8	32.1
Dec	32.5	26.9
1992 Jan	34.2	20.6
Feb	33.7	35.1
Mar	31.8	34.2
Apr	33.5	33.1

Source: Department of Employment

Table 7 Trends in total employment [net balances of responses]

	4/4 90	1/4 91	2/4 91	3/4 91	4/4 91	1/4 92
Manufacturing	- 5%	-20%	-16%	-12%	-17%	-16%
Construction	-27%	-33%	-39%	-26%	-33%	-31%
Wholesale	+ 2%	+ 3%	+ 2%	- 2%	- 5%	- 5%
Retail	- 4%	-19%	-27%	-15%	-13%	-11%
Tourism/leisure	+ 1%	-12%	-29%	- 5%	-14%	-27%
Finance	-23%	-22%	-27%	-31%	-29%	-46%

Table 8 Percentage of firms recruiting employees

	3/4 1990	4/4 1990	1/4 1991	2/4 1991	3/4 1991	4/4 1991	1/4 1992
Manufacturing	65%	50%	43%	54%	48%	42%	44%
Construction	61%	46%	53%	40%	41%	40%	35%
Wholesale	67%	47%	49%	46%	49%	42%	43%
Retail	55%	46%	38%	47%	47%	46%	36%
Tourism/leisure	79%	60%	52%	75%	71%	54%	53%
Finance	39%	23%	31%	27%	26%	27%	26%

Table 9 Percentage of firms reporting increased difficulties in recruiting staff

	3/4 1990	4/4 1990	1/4 1991	2/4 1991	3/4 1991	4/4 1991	1/4 1992
Manufacturing	17%	19%	16%	12%	15%	13%	10%
Construction	18%	25%	10%	17%	14%	12%	14%
Wholesale	19%	15%	18%	16%	10%	11%	5%
Retail	12%	21%	14%	9%	12%	10%	11%
Tourism/leisure	29%	37%	24%	22%	31%	18%	12%
Finance	4%	2%	1%	0%	1%	0%	2%

Table 10 Wage and salary increases

	4/4 90	1/4 91	2/4 91	3/4 91	4/4 91	1/4 92
Manufacturing	9.4%	9.1%	7.6%	6.7%	6.0%	5.5%
Construction	9.5%	9.5%	7.8%	6.8%	6.2%	7.6%
Wholesale	8.4%	11.0%	8.4%	7.4%	6.0%	7.0%
Retail	11.1%	8.4%	8.8%	8.1%	6.6%	5.3%
Tourism/leisure	8.3%	9.3%	7.8%	6.8%	4.8%	4.9%
Finance	5.0%	9.6%	6.4%	6.4%	5.4%	4.1%

REGIONAL REVIEW

INTRODUCTION

In April, Scottish unemployment increased by 311 to stand at 237,897 on an unadjusted basis. This represents 9.4% of the workforce and constitutes a monthly increase of 0.14% compared with the March total of 237,586. Scottish unemployment began to rise in November 1990 and increased steadily to stand at 230,160 in August 1991. Unemployment fell in September and October last year and by further than would have been expected due to seasonal influences. However, this fall proved to be a temporary respite and Scottish unemployment rose again in November and December but at a slower rate than in the UK. In January, Scottish unemployment rose by 5.5% which compared unfavourably with the British increase of 4.8%.

Since January, Scottish unemployment growth has been below that recorded in Britain. In February and March, Scottish unemployment decreased by 0.63% and 0.94% respectively whilst the British total rose by 1.46% in February and fell by a modest 0.14% in March. In April, Scottish unemployment rose by 0.14% whilst the British total increased by 1.1%.

In March, the Scottish unemployment rate dropped below the British rate for the first time since our series began in 1974. Figure 1 sets out the seasonally adjusted Scottish rate as a percentage of the British rate. This ratio attained a recent peak in Jan/Feb 1990 at which point the scottish rate was 1.53 times the GB rate. Due to the lighter rise in Scottish unemployment, this ratio has fallen steadily and currently stands at 99.8%. This phenomenon illustrates the extent to which Scotland has fared relatively well across the current recession as compared with the rest of Great Britain.

SCOTLAND AND THE BRITISH REGIONS

In this section, we consider the trends in GB regional labour markets across the present recession. Figure 2 sets out the seasonally adjusted employment for Scotland, Great Britain and 3 constructed regions. The South of England is defined as London, the South East, South West and East Anglia. Midlands and Wales encompasses the East and West Midlands plus Wales whilst the North of England comprises Yorkshire and Humberside, the North West and the Northern Region. These definitions likewise apply to the data set out in Table 2-4 & 6.

Examination of Figure 2 highlights the continuing impact of the present recession upon UK regional labour markets. The seasonally adjusted series has been recently revised. The new data indicates that British unemployment began to rise in April 1990. Unemployment started to increase in the South of England in February 1990 before the rest of Britain. The Midlands and Wales experienced a turning point in April at the same point as UK. In the North of England, unemployment commenced its rise in July 1990 whilst unemployment in Scotland continued to fall until October. Thus, the present recession impacted initially upon the over expanded and highly geared South but has subsequently spread Northwards.

In addition to experiencing earlier incidence of rising unemployment, the severity of the recession in labour market terms is greater the further south one looks. Taking January 1990 as our base, the following picture emerges:

	Apr 90	Apr 91	Apr 92
South of England	100.8	171.7	238.0
Midlands & Wales	97.6	134.8	167.5
North of England	97.6	118.5	135.7
Scotland	97.5	102.7	112.0
GB	98.5	136.0	170.4

Unemployment in the South of England is currently 2.38 times the level of January 1990 whilst GB unemployment is circa 1.7 times as high. In Midlands & Wales, unemployment is 1.68 times the January 1990 total whilst, in the North of England, the April 1992 rate is 1.35 times higher than at the base period. Thus far, Scotland has escaped relatively lightly with unemployment 1.12 times January 1990 levels.

As a result of this disparity in regional performance, the unemployment rate differential has narrowed considerably between the 'North' and the 'South'. Figure 3 sets out regional unemployment rates as a proportion of the GB rate for the period January 1989-April 1992. A considerable narrowing of the relative unemployment rates is evident from the beginning of 1990. The data are as follows:

In January 1990, the unemployment rate in the South of

	Apr 90	Apr 91	Apr 92
South of England	68.5	85.3	93.6
Midlands & Wales	103.7	102.7	102.1
North of England	137.0	120.0	109.6
Scotland	151.9	113.3	98.9
GB	100.0	100.0	100.0

England was circa two-thirds the GB rate but 93.6% in April 1991. In Midlands & Wales, the relative position has remained fairly static whilst, in both Scotland and the North of England, the unemployment relative declined markedly over the period. The relative position of Scotland improved more dramatically than for the rest of the North. In January 1990, the Scottish unemployment rate was 1.52 times that of GB. This had fallen below parity by January 1992. Clearly,the present recession has markedly altered the geography of UK regional unemployment.

Figure 4 sets out the regional trend in vacancies since January 1989. The GB regions have experienced sharp declines compared to the position in January 1989 whilst Scottish vacancies have been relatively resilient and have been on a rising trend since mid 1991. Taking January 1990 as our base, the following regional trends are evident.

	Apr 90	Apr 91	Apr 92
South of England	94.5	50.1	51.0
Midlands & Wales	98.3	57.3	58.3
North of England	104.8	69.4	60.7
Scotland	98.3	83.2	85.8
GB	98.2	60.1	59.0

In April 1992, vacancies in the South of England stood at 51% of the level recorded at January 1990 after exhibiting a modest recovery since April 1991. In Midlands & Wales and the North of England vacancies were 58.3% and 60.7% of the base period levels. For GB, vacancies in April 1992 stood at 59% of the January 1990 total. Scotland presents a healthier trend than for Britain and the GB regions. In April 1992, Scottish vacancies stood at 85.8% of the base period total which is the highest proportion of the regions under consideration. Figure 5 presents the trend in the 'U/V' ratio since January 1989 for both Scotland and Great Britain. The 'U/V' ratio measures the number of unemployed chasing each vacancy and is a standard indicator of labour market tightness.

Figure 5 indicates that since mid 1990, the numbers of unemployed pursuing each vacancy in Scotland has been below the British average and that Scotland has not experienced the sharp deterioration evident in Britain as a whole. The situation since April 1990 is set out below.

	Apr 90	Apr 91	Apr 92
South of England	5.81	18.67	25.39
Midlands & Wales	7.81	18.51	22.63
North of England	10.47	19.19	25.13
Scotland	8.93	11.11	11.75
GB	7.78	17.54	22.39

In April 1990, there were 7.8 unemployed chasing each vacancy in GB and only the South of England recorded a lower level. In Scotland, there were 8.9 unemployed per vacancy in Apr 1990. By April 1992 the picture had altered radically. The South of England currently presents the highest 'U/V' ratio of 25.4 and the other English regions exhibit ratios above the British average of 22.4. In Scotland there were 11.8 unemployed per vacancy.

Figure 6 sets out the Scottish 'U/V' ratio as a percentage of the British outcome for the period January 1980-April 1992. This indicates that Scottish labour markets performed relatively well during the early 1980's recession but deteriorated during the long upturn as other parts of the country recorded greater job creation. Since 1990, the relative position in Scotland has improved markedly and is currently better than at any point during the 1980s. The 'U/V' ratios for the GB regions expressed as a percentage of the GB ratio for the period April 1990-92 are as follows:

	Apr 90	Apr 91	Apr 92
South of England	74.6	106.4	113.4
Midlands & Wales	100.4	105.5	101.0
North of England	134.6	109.4	112.2
Scotland	114.7	63.4	52.5
GB	100.0	100.0	100.0

In April 1990, the 'U/V' ratio in the South of England was 74.6% of the GB ratio whilst all other regions posted ratios above that of GB. By April 1990, the position in that region had deteriorated to stand at 113.4% of the British average. In consequence, the situation in other regions has improved relative to GB. In the North of England, the 'U/V' ratio increased to April 1992 but not by as much as in the country as a whole. Hence, the situation in the North improved from 134.6% of the GB level in April 1990 to 112.2% in April 1992. The relative improvement is particularly marked in Scotland where the position improved from 114.7% of GB in April 1990 to 52.5% of GB in April 1992.

Thus, the available labour market data indicates the extent to which the Scottish economy has outperformed the rest of Britain across the present recession. Unemployment has risen relatively slowly and vacancies have held up extremely well. Hence, relative to Britain, the Scottish labour market is stronger than at any time for over 20 years.

TIME SERIES ANALYSIS

In the previous section, we analysed Scottish, GB and regional unemployment change with reference to the Department of Employment seasonally adjusted series which also adjusts for the numerous revisions to the unemployment count evident in the 1980s. No such adjusted series are published for areas below the UK standard regions.

Table 1 presents information on Scottish unemployment for the 12 months to April 1992. During this period, Scottish unemployment rose erratically by 20,906 or by 9.6% to stand at 237,897 in April 1992. In Britain, unemployment increased by 25.6% in the year to April. In consequence, the unemployment rate increased from 8.6% to 9.4% of the Scottish workforce.

Male unemployment rose by 17,910 or by 11.0% to total 180,961 in April 1992 which compares favourably with a 26.8% rise in Britain as a whole. Female unemployment increased by 2996 in the last year or by 5.6% which is modest compared with the GB hike of 20.8%. In April 1992, the Scottish male unemployment rate stood at 15.2% and the female rate at 5.7%. In the case of males, the Scottish rate is currently below the GB rate of 15.6% but the female rate remains above that of the 5.6% GB rate.

In January 1992 Scottish unemployment rose by 5.5% to stand at 241,351 but has subsequently fallen by 3454 or by 1.4%. During this quarter, GB unemployment rose by 2.5%. Male unemployment rose by 5.1% in January 1992 but has fallen by 3147 or by 1.7% in the quarter to April. In GB, male unemployment rose by 2.8% in the same period. Female unemployment increased by 6.8% in January to stand at 57,243 and has declined by 307 or by 0.5% in the current quarter which compares favourably with a British increase of 1.4%.

On the basis of an index based at January 1990, the trends in male, female and persons jobless are as follows:

		Apr 90	Apr 91	Apr 92
Male	Scotland	94.4	102.0	113.2
	GB	96.6	136.8	173.5
Female	Scotland	92.6	91.0	96.0
	GB	95.6	120.0	145.0
Persons	Scotland	93.9	99.0	108.5
	GB	96.3	132.3	163.9

This data indicates that, in GB as a whole, both males and females are contributing to the rising unemployment during the current recession. In Britain in the period January 1990 to April 1992, a 100 person rise in unemployment is accounted for by a rise of 81.8 male unemployed and a rise of 18.2 female unemployed. In Scotland, a 100 person rise in unemployment comprises a 112.6 rise in males offset by a 12.6 decline in female unemployment. Thus, the driving force of the more modest Scottish unemployment change continues to be male unemployment.

UNEMPLOYMENT IN THE SCOTTISH REGIONS

Table 2 sets out total unemployment and related statistics for the year to April 1992 for Scotland, its regions and islands and for Britain and its broad regions. Quarterly and monthly changes are also indicated although these require careful interpretation and are best used to facilitate inter-regional comparisons. Based upon January 1990, the trend in Scottish regional employment is as follows:

This data indicates that Borders, Lothian, Dumfries & Galloway, Fife and Tayside have fared worst across the present recession. These regions each exhibit unemployment growth above the Scottish average. Previously Grampian and Orkney and Shetland constituted areas which were least affected by rising unemployment due to the influence of North Sea activity upon local labour markets. However, in the year to April, unemployment in Grampian has risen by 19.4% which is more than twice the Scottish increase suggesting that the North Sea boom is insufficient to absorb the available labour force in the area. However it should be noted that the Grampian unemployment rate of 4.4% is the lowest posted by any UK county.

	Apr 90	Apr 91	Apr 92
Borders	88.2	104.0	124.0
Central	97.7	104.8	107.4
Dumfries & Galloway	90.2	99.9	115.3
Fife	94.6	101.0	114.0
Grampian	89.3	89.4	106.8
Highlands	85.9	86.8	100.9
Lothian	95.2	108.2	121.8
Strathclyde	94.6	97.7	105.3
Tayside	94.8	102.3	110.6
Orkney & Shetland	98.6	92.0	97.3
Western Isles	80.6	86.9	94.9
Scotland	93.9	99.0	108.5

The differential performance of Scottish regions has tended to promote convergence in Scottish regional unemployment rates. For the period April 1990 - April 1992, the relative employment rates are as follows:

	Apr 90	Apr 91	Apr 92
Borders	57.9	65.0	71.3
Central	104.2	106.0	99.1
Dumfries & Galloway	83.2	88.0	94.1
Fife	107.4	109.0	111.1
Grampian	43.2	41.0	46.3
Highlands	95.8	91.0	98.1
Lothian	76.8	83.0	84.3
Strathclyde	125.3	123.0	121.3
Tayside	93.7	96.0	94.4
Orkney	62.5	48.3	48.9
Shetland	47.2	33.3	39.4
Western Isles	122.2	117.2	124.5
Scotland	100.0	100.0	100.0

All regions except, the 3 Island areas and Fife have unemployment rates closer to the Scottish average in April 1992 as compared with April 1990. Following recent sharp rises in unemployment, the Grampian rate is marginally closer to the Scottish average than before the recession. However, the more narrowly oil base economy in Orkney & Shetland has ensured that the rates in both islands diverge from the rising Scottish average. In addition, Highland region only exhibits mild convergence towards the Scottish rate. Thus, the convergence towards the Scottish mean unemployment is weakest in the north & north-east of the country.

In the Central Belt, all regions except Fife and Central are converging upon the national average. In the case of Central Region, a relatively slow rise in unemployment has caused the rate to drop below the Scottish rate. The Fife labour market is diverging from the national average reflecting relatively fast unemployment growth. In Strathclyde, the unemployment rate declined from 125.3% of the Scottish rate in April 1990 to 121.3% in April 1992 whilst in both Lothian and Tayside the rates have risen towards the national average.
The South of Scotland exhibits the most marked degree of convergence towards the higher national rate. In 1990, the unemployment rate in Borders was 57.9% of the Scottish rate and 83.2% in Dumfries and Galloway. By April 1992, these measures had diverged substantially to stand at 71.3% and 94.4% respectively. It is clear that the South of Scotland has fared particularly poorly across the present recession.

The broad conclusion is that, in the recession so far, GB regional unemployment rates have converged upon the increasing national average. In Scotland, unemployment has increased relatively slowly and unemployment rates in local authority regions have shown a clear but less marked tendency to converge towards the Scottish average. The influence of the North Sea upon Orkney and Shetland explains the divergency evident in these islands. However, Fife is unique in possessing relatively high unemployment and a deteriorating position relative to Scotland across the present recession. Both Central and Strathclyde are improving relative to Scotland whilst Lothian and Tayside are deteriorating. Likewise, the regions in southern Scotland are deteriorating relative to Scotland at a fast rate. In general the high unemployment areas are doing better than the Scottish average and the low unemployment areas worst ensuring a clear convergence across the recession.

Information on the unemployment situation facing males is set out in Table 3 whilst Table 4 sets out the position vis a vis females. In the 12 months to April 1991, male employment in Scotland increased by 25,268 whilst female employment rose by 3,422 or by 6.4%. The sharpest increase in male unemployment were experienced in Borders (30.1%), Dumfries & Galloway (29.9%), Fife (23.5%), Shetland (21.7%), Western Isles (19.6%) and Grampian (19.5%). With the exception of Fife and Western Isles, these regions present unemployment rates below the Scottish average. The relative employment rates for males for the period January 1990-92 are as follows:

For males, the convergence of rates is similarly marked. Only in Orkney,Shetlands and Fife do the male unemployment rates diverge from the national average. In 1990, Borders, Dumfries & Galloway, Grampian, Highland, Lothian, Tayside, Orkney & Shetland all presented male unemployment rates below that of Scotland. At April 1992, all of these regions posted below Scottish rates but all, except the 2 islands, ended the period with rates closer to the Scottish average. In 1990, Central, Strathclyde, Fife and the Western Isles posted rates above that of Scotland. Both Strathclyde & Central improved relatively across the 2 year period. However, both Fife and the Western

Isles deteriorated relative to Scotland. The relative unemployment rates for males for the April 1990-92 period are as follows:

	Apr 90	Apr 91	Apr 92
Borders	57.4	66.2	70.4
Central	100.8	105.0	99.3
Dumfries & Galloway	72.1	77.0	87.5
Fife	102.3	104.3	105.3
Grampian	38.0	36.0	41.4
Highlands	93.0	89.2	94.1
Lothian	80.6	86.3	87.5
Strathclyde	127.9	125.2	122.4
Tayside	90.7	93.5	92.8
Orkney	60.5	54.0	56.6
Shetland	45.0	41.0	38.2
Western Isles			
Scotland	100.0	100.0	100.0

In the 12 months to April 1992, Borders (28.0%) exhibits the greatest rise in female unemployment. Five other areas experienced female unemployment growth above the Scottish average, viz Shetland Isles (17.5%), Highland (16.9%), Grampian (11.7%), Fife (10.0%)and Lothian (7.7%). Only Fife and Highland possess a female unemployment rates above the Scottish average. Other regions with above average female unemployment all exhibited below average annual unemployment change. Hence, some degree of convergence is evident for Scottish regional female unemployment rates.

QUARTERLY ANALYSIS

Tables 2 to 4 set out details of the absolute and percentage changes in the quarter to April 1991. In this period, Scottish unemployment decreased by 3454 or by 1.4%. This comprises a fall in male unemployment of 3147 or 1.7% and a female decrease of 307 or by 0.5%. In the current quarter, Shetlands (8.4%), Tayside (2.6%), Grampian (1.8%) and Lothian (0.7%) all bucked the falling trend and posted rises in unemployment. All other areas experienced falling unemployment over the quarter with the sharpest decreases evident in the Western Isles (-13.6%), Orkney Isles (-8.7%), Highland (-6.5%), and Dumfries & Galloway (-4.4%).

In the case of males, 4 regions recorded rises in unemployment; viz Shetlands (3.8%), Tayside (2.0%), Lothian (1.1%) and Grampian (0.6%) experience below average unemployment growth. The sharpest decreases were posted in Western Isles(-14.6%), Highland (-4.8%), Orkneys (-4.4%), Borders (-4.5%) and Fife (-3.5%). Six regions experienced rising female unemployment; viz Shetlands (20.7%), Grampian (4.9%), Tayside (4.25%), Borders (2.1%%), Fife (1.9%) and Central (0.1%). The most marked increases were experienced in Orkneys (-18.8%), Highlands (-10.6%), Western Isles (-10.3%) and Dumfries & Galloway (-8.9%) where seasonal factors are clearly at play.

VACANCY LEVELS

Table 5 sets out registered vacancies at Job Centres whilst Table 6 presents the unemployment-vacancy ratios for Scottish regions. In the year to April 1992, unfilled vacancies in Scotland increased by 646 or by 3.3%. There is considerable variation in regional fortunes. Only in Strathclyde, Fife, Dumfries & Galloway, Shetlands and the Western Isles did the stock of vacancies increase. In particular, the Strathclyde total rose by 1,975 over the year which offset sharp falls in Borders, Tayside, Central, Highland and Lothian.

In the quarter to April 1992, unfilled vacancies increased by 5,711 or by 39.7%. Only Orkney experienced a decrease in vacancies in the current quarter. The largest absolute increase was posted in Strathclyde where vacancies increased by 3840 or by 53.3%. The sharpest quarterly increases are evident in Highland (114.6%), Lothian (39.1%), Fife (28.4%), Borders (27.7%) and Tayside (24.0%). In Central (2.9%) and Grampian (4.0%) the rise was extremely modest. It should be noted that seasonal rises in vacancies are a feature of any January-April quarter. Thus whilst the quarterly increase is strong, particularly in Strathclyde, this should not be taken as evidence that a measure of recovery is underway.

Table 6 sets out the "u/v" ratio which indicates the number of unemployed competing for each vacancy. Since it is estimated that circa 30% of all vacancies appear in these statistics, actual u/v ratios will be smaller than those presented in Table 6. In April 1992, 11.85% of unemployed Scots were chasing each vacancy which is 51% of the number pursuing each British vacancy. In no Scottish county was the u/v ratio above the GB average. In April 1992, Scottish regions accounted for 6 of the 10 most favourable ratios from the 66 GB counties. A comparison with 1990 indicates that, although u/v ratios increased in Scotland across the period, the ranks of Scottish regions increased markedly.

Thus, Scots unemployed continue to face relatively more favourable labour markets than in most other parts of the UK.

INTRA-REGIONAL VARIATIONS

It is clear from the foregoing analysis that there are significant variations in the fortunes of Scottish regional labour markets. However, substantial diversity in performance exists within regional boundaries and this section seeks to examine these intra-regional disparities. We employ data relating to Travel to Work Areas (TTWAs) of which there are 57 on mainland Scotland

and the 3 islands. The latter are omitted from the accompanying table and analysis.

Table 7 sets out unemployment in regional TTWAs for the period April 1991 and April 1992. Over this period, Scottish TTWAs continue to slip down the UK rankings reflecting the process of convergence set out above . In January 1992, Cumnock & Sanquhar remains the Scottish TTWA with the highest unemployment and the top GB jobless blackspot. However, Aberdeen TTWA has become the British TTWA with the lowest unemployment rate. Although Grampian presents the Scottish mainland region with the lowest unemployment rate, it should be noted that the region presents the highest "high/low" ratio. Both Forres and Keith constitute TTWAs with above Scottish average unemployment.

It should be noted that in all regions the dispersion of unemployment has reduced over the last year. This can be seen with reference to both the "high-low" and "high/low" ratios set out in Table 7. In both Scottish and British TTWAs, there is a tendency for areas with low unemployment rates in April 1991 to experience high growth in unemployment. In the year to April 1992, the 10 Scottish TTWAs with the highest unemployment change were as follows:

TTWA	Annual Unemp. Change %	Annual Unemp. Rate %
Buckie	109.7	5.3
Huntly	55.6	5.4
Badenoch	50.3	6.8
Fraserburgh	42.9	4.8
Hawick	42.5	6.8
Skye	34.5	9.1
Stewartry	29.8	7.7
Crieff	27.5	6.4
Aberdeen	23.9	3.1
Lockerbie	23.5	8.5
Scotland	9.6	10.0
Great Britain	25.4	8.8

None of the top ten Scottish TTWAs in term of unemployment change possessed unemployment rates above the Scottish average in April 1991 and only Skye had a rate above that of GB. Dunoon is the only one of the 20 Scottish TTWAs experiencing the sharpest unemployment change which posted an unemployment rate above the Scottish average in April 1991.

Thus, the process of convergence evident at the level of the GB regions and the Scottish counties can be detected at the level of the TTWA. The present recession, whilst engendering higher unemployment in most areas has reduced the disparity between high and low unemployment areas as the former have tended to experience lower unemployment change. This trend is evident both within Scotland and within Scottish counties where low unemployment areas are suffering a greater incidence of cyclical unemployment growth.

FIGURE 1

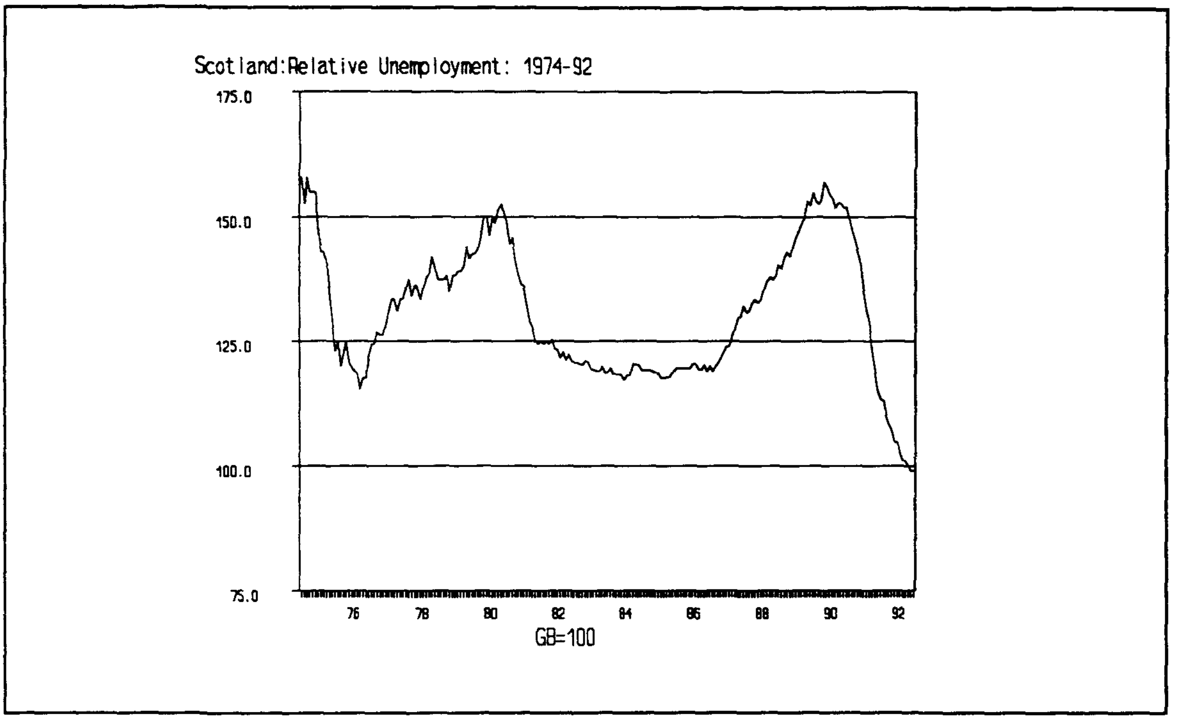


FIGURE 2

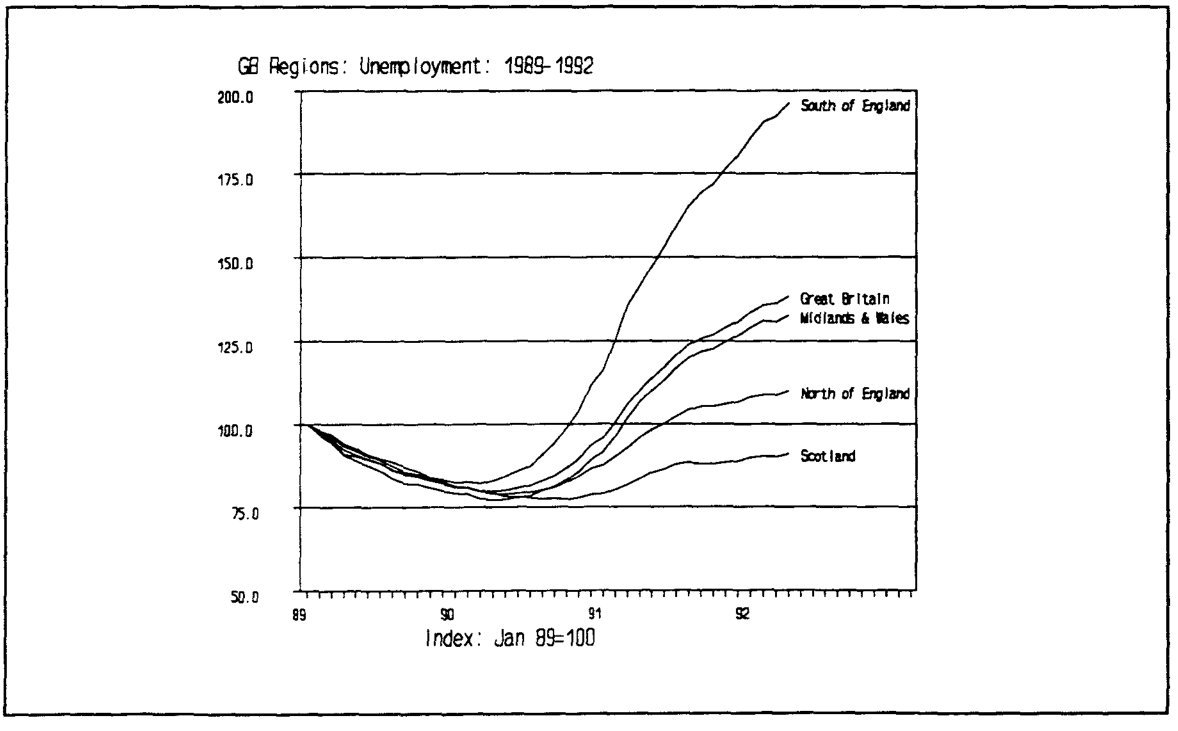


FIGURE 3

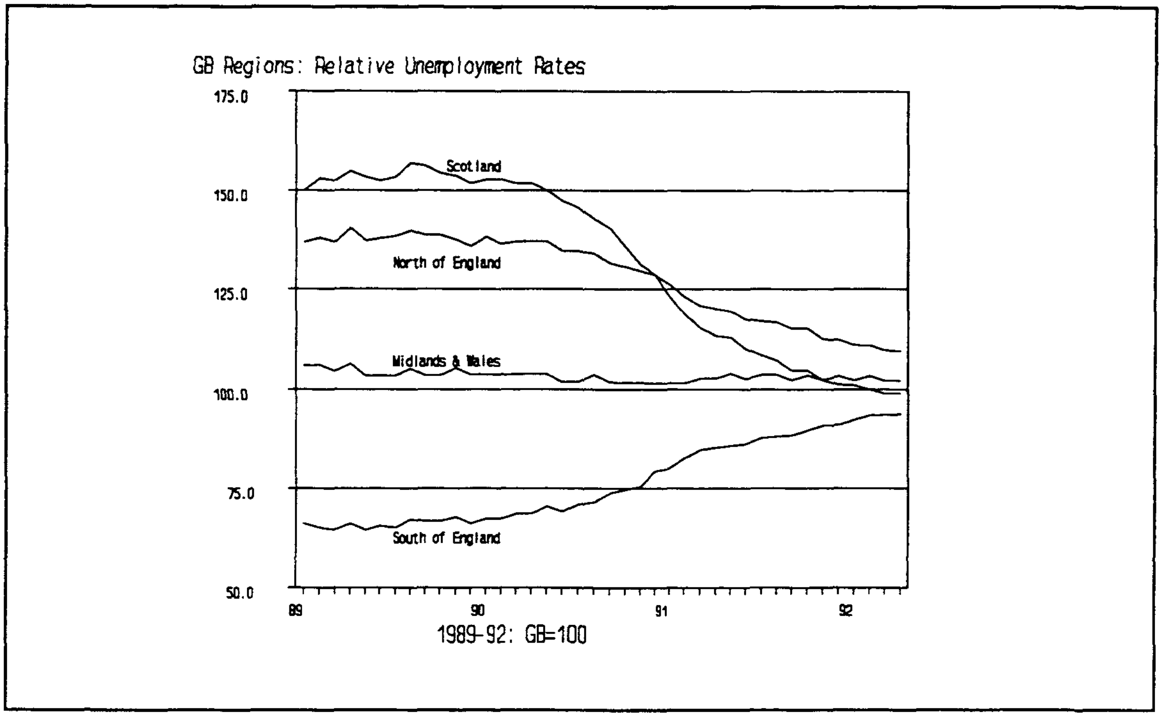


FIGURE 4

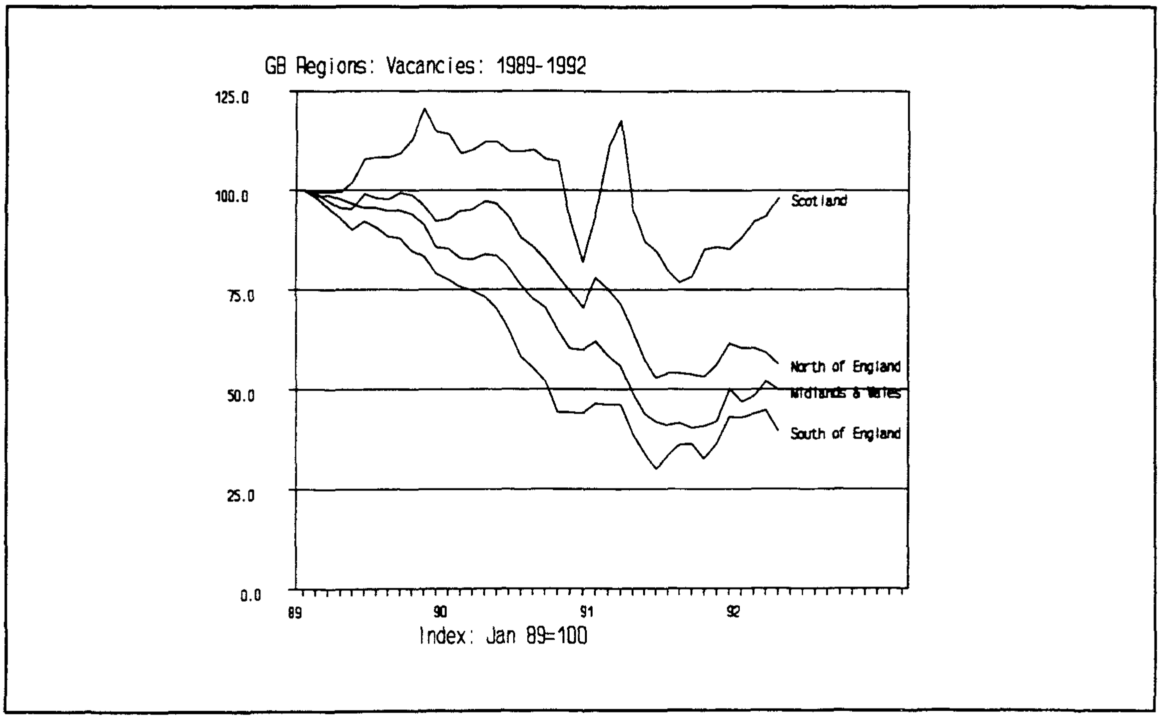


FIGURE 5

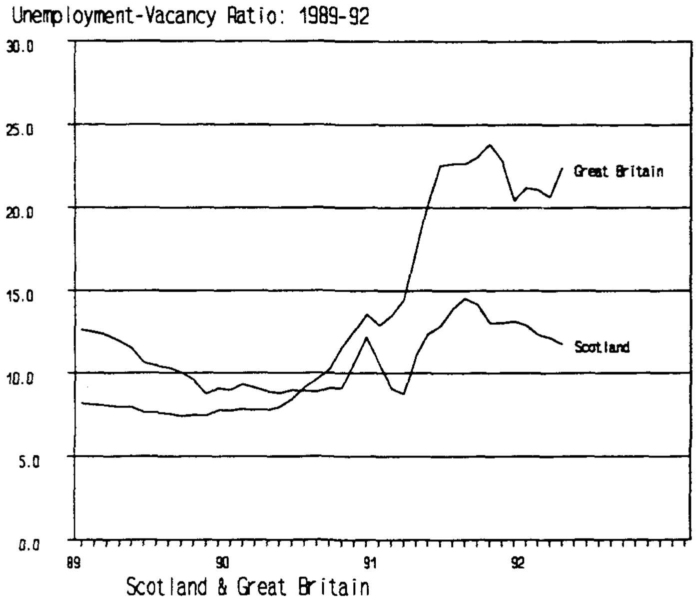


FIGURE 6

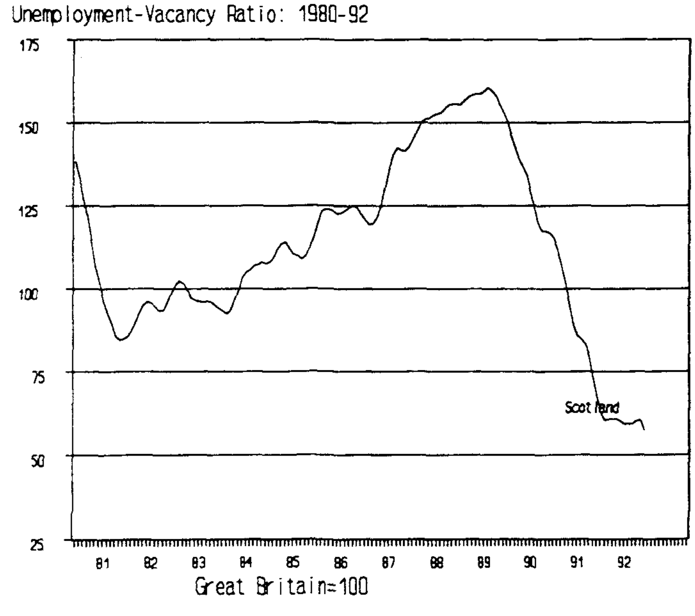


TABLE 1: UNEMPLOYMENT TOTALS - UNADJUSTED TIME SERIES, SCOTLAND

Month	Unemployment rate*	Total	Monthly % change	Male	Monthly % Change	Female	Monthly % Change
1991 Jan							
Apr	8.6	216,991	0.86	163,051	0.87	53,490	0.82
May	8.5	215,320	-0.77	162,454	-0.37	52,866	-1.99
Jun	8.5	215,501	0.08	162,685	0.14	52,816	-0.09
Jul	9.1	228,376	5.97	168,449	3.54	59,927	13.46
Aug	9.1	230,160	0.78	169,544	0.65	60,616	1.15
Sep	8.8	221,953	-3.57	166,979	-1.51	54,974	-9.31
Oct	8.7	220,396	-0.70	167,328	0.21	53,068	-3.47
Nov	8.9	223,599	1.45	170,335	1.80	53,264	0.37
Dec	9.1	228,766	2.32	175,152	2.83	53,614	0.66
1992 Jan	9.6	241,351	5.50	184,108	5.11	57,243	6.77
Feb	9.5	239,822	-0.63	182,280	-0.99	57,542	0.52
Mar	9.4	237,576	-0.94	180,481	-0.99	57,095	-0.78
Apr	9.4	237,897	0.14	180,961	0.27	56,936	-0.28

* Workforce base
Source: Department of Employment

TABLE 2: TOTAL UNEMPLOYMENT BY REGION: UNADJUSTED

	% rate Apr 1992		Total Apr 1992	Total Apr 1991	Annual Change		Total Jan 1992	Quarterly Change		Total Mar 1992	Monthly Change	
	Narrow	Wide			Total	%		Total	%		Total	%
Borders	7.7	6.3	3,015	2,529	486	19.2	3,097	-82	-2.6	3,077	-62	-2.0
Central	10.7	9.4	11,763	11,485	278	2.4	12,034	-271	-2.3	11,556	207	1.8
Dumfries & Galloway	10.2	8.1	5,689	4,930	759	15.4	5,948	-259	-4.4	5,884	-195	-3.3
Fife	12.0	10.4	15,293	13,547	1,746	12.9	15,619	-326	-2.1	15,283	10	0.1
Grampian	5.0	4.4	12,059	10,098	1,961	19.4	11,843	216	1.8	11,848	211	1.8
Highland	10.6	8.7	8,974	7,714	1,260	16.3	9,601	-627	-6.5	9,282	-308	-3.3
Lothian	9.1	8.1	32,939	29,242	3,697	12.6	32,719	220	0.7	32,558	381	1.2
Strathclyde	13.1	11.5	128,768	119,494	9,284	7.8	131,269	-2,501	-1.9	128,777	-9	-0.0
Tayside	10.2	8.7	16,936	15,671	1,265	8.1	16,504	432	2.6	16,670	266	1.6
Orkney Islands	6.5	4.6	473	441	32	7.3	518	-45	-8.7	471	2	0.4
Shetland Islands	4.6	3.7	437	419	18	4.3	403	34	8.4	460	-23	-5.0
Western Isles	15.9	11.7	1,551	1,421	130	9.1	1,796	-245	-13.6	1,710	-159	-9.3
Scotland	10.8	9.4	237,897	216,991	20,906	9.6	241,351	-3,454	-1.4	237,576	321	0.1
South of England	10.5	9.0	1,114,978	804,870	310,108	38.5	1,058,660	56,318	5.3	1,094,844	20,134	1.8
Midlands & Wales	11.3	9.0	564,764	454,267	110,497	24.3	556,019	8,745	1.6	560,942	3,822	0.7
North of England	11.9	10.5	714,460	623,317	91,143	14.6	713,042	1,418	0.2	710,004	4,456	0.6
GB	11.0	9.6	2,632,099	2,099,445	532,654	25.6	2,569,072	63,027	2.5	2,603,366	28,733	1.1

Source: Department of Employment

TABLE 3: MALE UNEMPLOYMENT BY REGION: UNADJUSTED

	% rate Apr 1992		Total Apr 1992	Total Apr 1991	Annual Change		Total Jan 1992	Quarterly Change		Total Mar 1992	Monthly Change	
	Narrow	Wide			Total	%		Total	%		Total	%
Borders	10.7	7.8	2,141	1,846	295	16.0	2,241	-100	-4.5	2,198	-57	-2.6
Central	15.1	12.7	8,793	8,348	445	5.3	9,066	-273	-3.0	8,660	133	1.5
Dumfries & Galloway	13.3	9.7	4,089	3,362	727	21.6	4,191	-102	-2.4	4,156	-67	-1.6
Fife	16.0	13.4	11,293	9,910	1,383	14.0	11,692	-399	-3.4	11,359	-66	-0.6
Grampian	6.3	5.2	8,579	6,982	1,597	22.9	8,525	54	0.6	8,417	162	1.9
Highland	14.3	10.9	6,442	5,548	894	16.1	6,770	-328	-4.8	6,555	-113	-1.7
Lothian	13.3	11.3	25,371	22,214	3,157	14.2	25,096	275	1.1	24,985	386	1.5
Strathclyde	18.6	15.6	100,011	91,869	8,142	8.9	103,325	-2314	-2.3	99,942	69	0.1
Tayside	14.1	11.3	12,407	11,309	1,098	9.7	12,159	248	2.0	12,223	184	1.5
Orkney Islands	8.6	5.5	348	303	45	14.9	364	-16	-4.4	344	4	1.2
Shetland Islands	5.8	4.2	303	305	-2	-0.7	292	11	3.8	321	-18	-5.7
Western Isles	21.7	14.3	1,184	1,055	129	12.2	1,387	-203	-14.6	1,321	-137	-10.4
Scotland	15.2	12.5	18,0961	163,051	17,910	11.0	184,108	-3,147	-1.7	180,481	480	0.3
South of England	14.8	12.0	846,059	602,602	243,436	40.4	799,617	46,442	5.8	829,297	16,762	2.0
Midlands & Wales	15.8	13.0	434,962	345,901	89,061	25.8	426,757	8,205	1.9	431,597	3,366	0.8
North of England	17.0	14.2	55,7113	480,525	76,588	15.9	554,152	2,961	0.5	553,013	4,100	0.7
GB	15.6	12.8	2,019,095	1,592,100	426,995	26.8	1,964,634	54,461	2.8	1,994,387	24,708	1.2

Source: Department of Employment

TABLE 4: FEMALE UNEMPLOYMENT BY REGION: UNADJUSTED

	% rate Apr 1992		Total Apr 1992	Total Apr 1991	Annual Change		Total Jan 1992	Quarterly Change		Total Mar 1992	Monthly Change	
	Narrow	Wide			Total	%		Total	%		Total	%
Borders	4.6	4.2	874	683	191	28.0	856	1.8	2.1	879	-5	-0.6
Central	5.8	5.4	2,970	3,137	-167	-5.3	,968	2	0.1	2,896	74	2.6
Dumfries & Galloway	6.4	5.8	1,600	1,568	32	2.0	1,757	-157	-8.9	1,728	-128	-7.4
Fife	7.0	6.5	4,000	3,637	363	10.0	3,927	73	1.9	3,924	76	1.9
Grampian	3.4	3.2	3,480	3,116	364	11.7	3,318	162	4.9	3,431	49	1.4
Highland	6.4	5.7	2,532	2,166	366	16.9	2,831	-299	-10.6	2,727	-195	-7.2
Lothian	4.5	4.2	7,568	7,028	540	7.7	7,623	-55	-0.7	7,573	-5	-0.1
Strathclyde	6.4	6.0	28,757	27,625	1,132	4.1	28,944	-187	-0.6	28,835	-78	-0.3
Tayside	5.8	5.4	4,529	4,362	167	3.8	4,345	184	4.2	4,447	82	1.8
Orkney Islands	3.8	3.1	125	138	-13	-9.4	154	-29	-18.8	127	-2	-1.6
Shetland Islands	3.1	2.9	134	114	20	17.5	111	23	20.7	139	-5	-3.7
Western Isles	8.5	7.5	367	366	1	0.3	409	-42	-10.3	389	-22	-5.7
Scotland	5.7	5.3	56,936	53,940	2,996	5.6	57,243	-307	-0.5	57,095	-159	-0.3
South of England	5.5	5.0	268,919	202,247	66,672'	33.0	259,043	9,876	3.8	265,547	3,372	1.3
Midlands & Wales	5.8	5.3	129,802	108,366	21,436	19.8	129,262	540	0.4	129,346	456	0.4
North of England	5.8	5.4	157,347	142,792	14,555	10.2	158,890	-1,543	-1.0	156,991	356	0.2
GB	5.6	5.2	613,004	507,345	105,659	20.8	604,438	8,566	1.4	608,979	4,025	0.7

Source: Department of Employment

TABLE 5: REGISTERED VACANCIES AT JOB CENTRES: BY REGION										
	Apr 1992	%	Apr 1991	%	Annual Change		Jan 1992	%	Quarterly Change	
					Total	%			Total	%
Borders	406	2.0	644	3.3	-238	-37.0	318	2.2	88	27.7
Central	857	4.3	1,117	5.7	-260	-23.3	833	5.8	24	2.9
Dumfries & Galloway	574	2.9	457	2.4	117	25.6	489	3.3	94	19.6
Fife	867	4.3	724	3.7	143	19.8	675	4.7	192	28.4
Grampian	1,936	9.6	2,111	10.9	-174	-8.2	1,863	13.0	74	4.0
Highland	1,114	5.5	1,426	7.3	-312	-21.9	519	3.6	595	114.6
Lothian	2,127	10.6	2,455	12.6	-328	-13.4	1,529	10.6	598	39.1
Strathclyde	11,049	55.0	9,074	46.7	1,975	21.8	7,209	50.2	3,840	53.3
Tayside	890	4.4	1,170	6.0	-280	-23.9	718	5.0	172	24.0
Orkney Islands	58	0.3	63	0.3	-5	-7.9	74	0.5	-16	-21.6
Shetland Islands	103	0.5	80	0.4	23	28.8	98	0.7	5	5.1
Western Isles	101	0.5	116	0.6	-15	12.9	56	0.4	45	80.4
Scotland	20,083	100.0	19,437	100.0	646	3.3	14,372	100.0	5,711	39.7

Source: Department of Employment

TABLE 6: UNEMPLOYMENT-VACANCY (U/V) RATIO: BY REGION

	April 1992			April 1991			April 1990		
	U/V	GB rank*	% GB	U/V	GB rank*	% GB	U/V	GB rank*	% GB
Borders	7.43	3	32.2	3.93	1	21.7	3.65	9	45.4
Central	13.73	17	59.5	10.28	16	56.8	8.48	43	105.5
Dumfries & Galloway	9.91	8	42.9	10.79	18	59.6	7.51	40	93.4
Fife	17.64	27	76.4	18.71	46	103.4	11.81	58	146.9
Grampian	6.23	2	27.0	4.78	2	26.4	2.69	5	33.5
Highland	8.06	4	34.9	5.41	4	29.9	4.69	20	58.4
Lothian	15.49	22	67.1	11.91	23	65.8	8.87	46	110.4
Strathclyde	11.65	13	50.5	13.17	30	72.8	11.91	59	148.1
Tayside	19.03	34	82.4	13.39	31	74.0	13.16	60	163.6
Orkney Islands	8.16	5	35.3	7.00	5	38.7	5.81	31	72.3
Shetland Islands	4.24	1	18.4	5.24	3	28.9	7.47	39	92.9
Western Isles	15.36	21	66.5	12.25	24	67.7	10.13	54	126.0
Scotland	11.85	13.1**	51.3	11.16	16.9**	61.7	9.00	38.7**	111.9
South of England	25.96	37.2**	112.5	19.12	36.1**	105.6	6.00	22.6**	74.7
Midlands & Wales	24.02	35.1**	104.1	19.66	35.1**	108.7	8.21	33.2**	102.2
North of England	25.99	43.6**	112.6	19.88	42.0**	109.8	10.84	48.4**	134.8
Great Britain	23.08	-	100.0	18.10	-	100.0	8.04	-	100.0

* There are 66 GB counties including the 9 Scottish LA regions and 3 Islands Authorities.

** Average rank

Source: Department of Employment

TABLE 7: TTWAs WITH HIGHEST AND LOWEST UNEMPLOYMENT RATES AND RANKS: APRIL 1992 AND APRIL 1991

		Unemployment: Apr 1992			Unemployment: Apr 1991			High-Low		High/Low	
		% rate	GB rank	Sc. rank	% rate	GB rank	Sc. rank	Apr 1992	Apr 1991	Apr 1992	Apr 1991
Borders	H Berwichshire/Peebles	10.9	140	28	9.5	109	26	5.6	4.7	2.1	2.0
	L Galashiels	5.3	313	58	4.8	294	58				
Central	H Alloa	13.2	75	17	13.1	32	13	4.9	5.4	1.6	1.7
	L Stirling	8.3	249	45	7.7	184	39				
Dumfries & Galloway	H Cumnock & Sanquhar	22.6	1	1	21.3	1	1	14.1	14.3	2.7	3.0
	L Dumfries	8.5	240	43	7.0	215	45				
Fife	H Kirkcaldy	13.4	68	15	11.9	52	17	5.8	5.3	1.8	1.8
	L North East Fife	7.6	266	51	6.6	231	50				
Grampian	H Forres	15.2	28	7	16.0	7	3	11.3	12.9	3.9	5.2
	L Aberdeen	3.9	322	60	3.1	320	60				
Highland	H Wick	15.3	25	6	14.8	14	6	6.4	8.0	1.7	2.2
	L Inverness	8.9	228	41	6.8	223	46				
Lothian	H Bathgate	13.6	59	13	12.0	48	16	5.2	4.5	1.6	1.6
	L Edinburgh	8.4	241	44	7.5	194	41				
Strathclyde	H Girvan	17.3	13	3	15.3	10	4	8.7	8.3	2.0	2.2
	L Ayr	8.6	237	42	7.0	212	44				
Tayside	H Arbroath	14.6	38	10	13.4	26	9	7.1	7.0	1.9	2.1
	L Forfar/Crieff	7.5	273	52	6.4	239	51				

Note: There are 322 TTWAs in Great Britain and 60 in Scotland including the Islands
Rank 1 = highest unemployment rate.

Source: Department of Employment