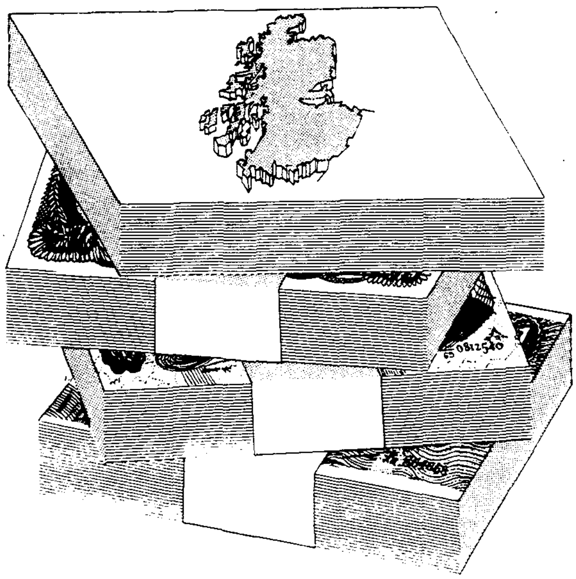
THE SCOTTISH ECONOMY



SHORT-TERM FORECASTS*

Our caution expressed in the previous issue of the Commentary with the recorded substantial increase in the seasonally adjusted output index for Scottish production industries (Divisions 1 to 4 of the 1980 SIC) in the final quarter last year is confirmed by the latest official data release. The magnitude of the increase has been revised down to 2.2% (from the previous 4.7%). However, the figures for the first three quarters last year have all been revised upward, making the year-on-year reduction in Scottish production output (92/91) stand at 1.1%. In previous issues of the Commentary we had predicted a decline of more than 2%.

The present forecasting period extends to 1994Q3. Figure 1 shows the actual index series from 1986Q1 to 1993Q1 and the forecasts for 1993Q2 to 1994Q3. As is clear from the figure, the output of Scottish production industries is expected to make a steady recovery in this year and continue to grow into next year. For 1993 as a whole, the output of Scottish production industries is predicted to rise by around 2.9% over 1992. Further details of growth rates for Scottish production outputs are presented in Table 1.

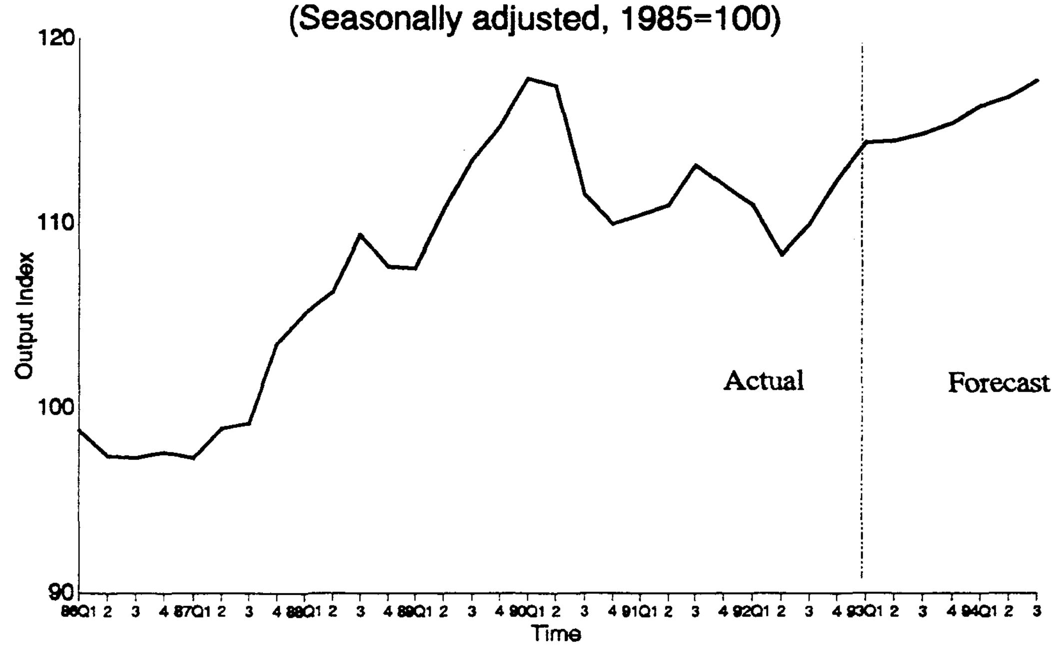
Various sources of information showed that the recovery continued into the second quarter. There is also a body of evidence which sees this continuing over the coming quarters. However, much depends on strong export performance since domestic demand remains subdued at the moment.

TABLE 1 % CHANGE IN INDEX OF PRODUCTION (SIC DIVS 1-4)

1991/90	-2.2
1992/91	-1.1
91Q4/90Q4	1.9
92Q4/91Q4	0.3
Forecast	
93Q2/93Q1	0.1
93Q3/93Q2	1.1
92Q4/93Q3	0.9
94Q1/93Q4	0.8
94Q2/94Q1	0.4
94Q3/94Q2	0.7
93Q4/92Q4	2.7
1993/92	2.9

* 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.

Figure 1. Output Index for Scottish Production Industries (Seasonally adjusted, 1985=100)



SCOTTISH CHAMBERS' BUSINESS SURVEY: SECOND QUARTER 1993

The SCBS is conducted by Strathclyde University's Fraser of Allander Institute together with the Chambers of Commerce of Aberdeen, Central, Dundee, Edinburgh, Fife and Glasgow. It is the largest and most comprehensive regular survey of business, employment and other issues affecting the Scottish business community. In the present survey, which was conducted during June, 1163 firms responded to the questionnaire.

Business Confidence

In Manufacturing, business optimism continued to rise, and is now at the highest level since the survey was revised in the third quarter of 1990. A net balance of 25% of respondents reported that they were more optimistic in the second quarter 1993 than they had been in the same period 1992.

Business confidence continued to rise in Construction, but at a much lower rate than in the first quarter 1993. This more cautious view reflects lower than expected levels of both public and private sector orders.

In Distribution, confidence continued to rise. In Retailing, levels of business confidence remained unchanged at +10%, although a net balance of 29% of respondents were far more optimistic than they had been in the second quarter 1992. The rate of increase in Wholesale optimism slackened in the second quarter as sales levels remained below expectations.

Optimism amongst Tourism and Leisure respondents is now at the highest level recorded, reflecting better than expected trends in demand from abroad and the rest of the UK.

Orders and Sales

In Manufacturing, the trend in total orders continued to rise. The downward trend in Scottish orders was reversed with a net balance of 7% reporting an increase, the highest figure since the revision of the survey in 1990. The decline in rest of UK orders virtually ended. However, the rise in export orders slowed from +10% to +2%.

Construction respondents reported a fall in total orders. The downward trends in Central Government, other Public sector and Private sector orders accelerated, although seasonality may be a feature in the rate of decline in other Public sector orders.

Retail sales rose strongly in the second quarter. A net balance of +20% reported that sales had risen and +25% expect a rise in sales in the third quarter. In Wholesaling, sales continued to rise at a modest rate, although a much stronger rise in sales is expected for the third quarter.

Tourism demand also continued to strengthen. A net balance of +16% reported increased demand, due largely to a major improvement in demand from abroad and from the rest of the UK to the highest levels recorded since the third quarter 1990.

Stock Adjustments

The run down of stocks of raw materials and finished goods continued in Manufacturing, and is expected to continue through the third quarter. A net +6% reported an increase in work in progress, although this is not expected to continue through the third quarter.

Within Manufacturing, stocks of raw materials and finished goods continued to fall in mechanical engineering and electronics. Food, drink and tobacco reported stable levels of work in progress and textiles reported increased work in progress.

Finance and Investment

The trend in personal loans rose strongly in the second quarter, with a net balance of +50% of respondents reporting increased personal advances. This strong upward trend is expected to continue through the third quarter. A net of +21% reported increased levels of corporate advances. Again, a strong increase in the level of corporate advances is expected for the third quarter. Corporate advances continued to be dominated by a demand for working capital, although, an upward trend in the demand for credit for investment in plant and equipment is forecast for the third quarter.

A net of +3% of Manufacturing respondents reported increased investment in plant and equipment. Manufacturing investment in the second quarter was less directed towards the replacement of equipment than had been the case in previous quarters.Investment intentions in Construction continued to decline. Investment authorised in the second quarter was mainly directed towards the replacement of equipment. A strengthening of investment intentions was evident in Distribution and Tourism. A net of +15% of Wholesaling, 13% of Retailing and 12% of Tourism respondents reported revising upwards investment intentions in the second quarter.

PRIMARY

FISHING

In the first half of 1993, the volume of landings by UK vessels for the major classifications of pelagic fish and shellfish was lower than for the corresponding period in 1992. However, the price realised for both these species rose. This brought about a 6% increase in the value of landings of pelagic species, despite the 4% drop in weight. The 11% drop in the weight of shellfish landings was accompanied by a 4% fall in its value. The position for demersal fish was the reverse of the other two major species. A 2% increase in landings by weight was more than offset in the determination of the value of landings by a 3% reduction in price. In terms of the value of landings, pelagics are strongly dominated by demersals and shellfish, so that the total value of landings in Scotland for UK vessels in the first half of 1993 was, at £122,538,000, 1.4% lower than the corresponding figure in 1991.

Amongst individual species, Haddock and Cod are the most important by value. There was a 14% price reduction for both of these species. This meant that whilst there was a large increase in the weight of landings, of 9% for Cod and 23% for Haddock, the value of Cod landings fell to £20,501,000, whilst the value of Haddock landings only increased by 5% to £23,312,000. For other demersal species the value of landings of saithe fell by almost 40%, partly due to a 12% reduction in prices, due to a 30% lower weight of landings. On the other hand the value of Whiting and Monkfish landed increased; Whiting as a result of higher prices, Monkfish as a result of a greater weight of catch.

For the pelagics, a 1% reduction in the weight of landings and a 7% increase in the price of Mackerel generated a 5% increase in the value of landings for that species to £10,014,000. Herring landings increased 40% by weight which, together with a small increase in price, led to a 46% increase by value to £677,000.

In the case of shellfish, Norway lobsters are the

FIGURE 1 FISH LANDINGS IN SCOTLAND; JANUARY TO JUNE 1993 - COMPARED WITH JANUARY TO JUNE 1992

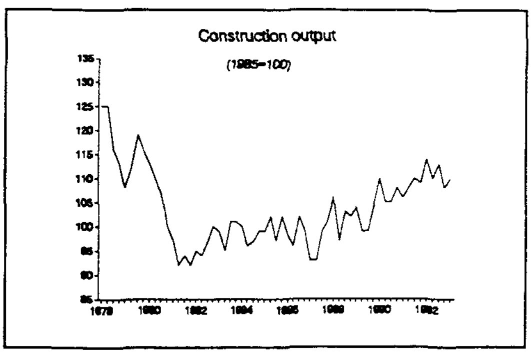
Landings by UK Vessels	JAN TO DEC 1993			93 AS PER CENT OF 92		
	Weight Tonnes	Value £000s	Price £/T	Weight %	Value %	Price %
Demersal	89,979	85,984	956	102	98	97
Pelagic	82,725	10,999	133	96	106	111
Shellfish	17,565	25,554	1,455	89	96	108
Cod	18,538	20,501	1,106	109	93	86
Haddock	29,597	23,312	788	123	105	86
Whiting	17,456	10,794	618	97	110	113
Saithe	4,229	1,903	450	70	62	88
Dover Sole	24	89	3,708	120	131	109
Hake	893	1,604	1,796	80	87	109
Lemon Sole	1,171	2,417	2,064	94	104	111
Ling	2,083	1,547	743	123	103	83
Megrims	1,407	2,478	1,761	114	118	103
Monks	5,071	12,410	2,447	106	106	100
Plaice	2,857	2,749	962	81	83	103
Skate	1,303	1,017	781	84	95	113
Sandeels	686	27	39	29	25	87
Dogfish spur	1,590	1,709	1,075	62	66	107
Witches	807	1,024	1,269	90	87	97
Mackerel	74,669	10,014	134	99	105	107
Herring	5,545	677	122	140	146	104
Brown Crabs	1,198	1,317	1,099	75	73	97
Green Crabs	112	72	643	75	91	121
Velvet Crabs	648	1,182	1,824	91	85	93
Lobsters	72	789	10,958	68	76	112
Pink Shrimps	433	403	931	687	760	111
Squid	210	282	1,343	99	97	98
Scallops	2,066	3,291	1,593	79	76	96
Norway Lobsters	7,961	16,321	2,050	94	105	112
Queen Scallops	2,503	932	372	167	163	98
Periwinkles	680	419	616	79	83	106
Total by UK vessels	190,269	122,538	644	98	99	101
Landings by foreign vessels	34,046	14,448	336	127	163	128
Total Landings in Scotland	224,314	133,986	597	101	102	101

most important species by value and this species also had the largest absolute increase in the value of landings over the time period, a 5% rise to £16,321,000 was almost wholly caused by a 12% increase in price which more than offset the 6% reduction in the weight landed. The largest absolute fall in the value of landings for a shellfish species was for scallops where the value decreased by almost a quarter to £3,291,000, primarily as a result of the fall in the weight of landings.

Whilst the value of landings by UK vessels fell by 1%, that of foreign vessels rose by 63%, so that the value of total landings (UK and foreign boats) in Scotland increased by 2%. The total weight of landings was up by 1%. Landings by foreign vessels now make up 15% by weight and 9% by value of total landings in Scotland.

CONSTRUCTION

The Scottish index of construction for the first quarter of 1993 stands (provisionally), at 109.8 up 2.1% on the previous quarter. During this period the UK experienced a fall of 0.5% to stand at 113.1, continuing the decline which started in 1990. The year on year change reflects the increased severity of the recession in the rest of the UK where the fall was 4.8%; the Scottish fall alone was only 0.4%. These figures incorporate the new seasonal adjustment factors which should improve quarterly comparisons.



The Scottish Chambers' Business Survey for the second quarter of 1993 shows that a net 0.7% of respondents are more optimistic about the general business situation than they were in the first quarter. This shows a continuation of the optimism experienced in the first quarter where a balance of 20% were more optimistic than they were in the fourth quarter of 1992.

A net 4.6 % of respondents are more optimistic in the second quarter than they were a year ago, however a net 5.7% experienced a declining trend in the total volume of new orders. Respondents state that whilst private orders are down for a net 8.2% it is orders from central government and other public sector orders that are the most depressed with balances of 37.5% and 25.5% of respondents, respectively experiencing a downward trend during the second quarter 1993. Expected public sector new orders for the third quarter are not forecast to improve, however there are grounds for optimism with a net 5.3% expecting an upward trend in new orders from the private sector.

Work in progress is still down for a net 17% of respondents, with a balance of 12.5% expecting the downward trend to continue in the third quarter. The low level of work in progress and new orders is reflected in the capacity utilization of 74.6%, although up almost 2% on the first quarter, it is still down for a net 10.8% of respondents. Indeed 93% of respondents cite orders or sales as the major limiting factor during the third quarter.

The latest NHBC figures for the second quarter of 1993 show that whilst Scottish housing completions have increased by 29.1% from the first quarter of 1993, to stand at 3,100, this is unchanged from a year ago. Completions in Great Britain as a whole showed a quarterly increase of 16.1% and are up 11.6% on the same period a year ago.

Applications for housing starts in both Scotland and GB showed an increase of 50% from the second quarter of 1992 to the second quarter of 1993. The quarterly increase in the second quarter of 1993 in Scotland was 21.9%, compared with an increase of only 0.7% in GB as a whole. The 3,900 applications for housing starts represent 9.4% of the total for GB. NHBC state that a marked increase in the activities of housing associations have contributed to the increased buoyancy of this sector.

The major building societies state that house prices in Scotland exhibited an annual increase of over 2% in the year to June 1993; this compared with a UK annual fall of around 3%.

In the commercial and industrial property market, there is evidence of a shortage of quality space which is expected to force rents up and in turn lead to a stimulus to new build work and may even bring the speculative development back.

In a £47.5 million deal The Scottish Office has committed itself to Victoria Quay, the Leith office development, purchasing it from Godfrey Bradman and the Forth Ports Authority. This project is managed by Trafalgar House and is due for completion in 1994/95.

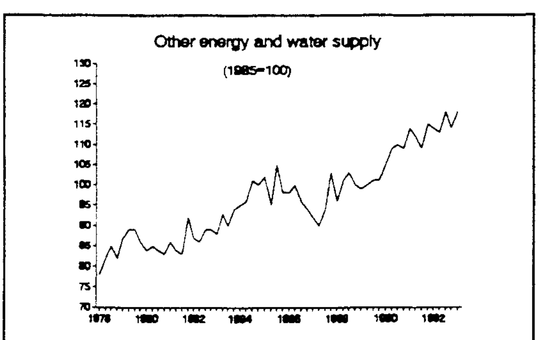
Tulloch the Inverness based construction company looks set for an eventual Stock Exchange flotation, with another strong set of results amid the industry's worst slump in more than 50 years.

The Scottish Consortium Of Timber Frame Industries (SCOTFI) have mounted a national campaign against proposed changes in building regulations, which will restrict the height of timber framed buildings and impose more stringent regulations on the use of non-combustible materials. SCOTFI claim that the new proposals will seriously disadvantage the industry in Scotland and drive them out of whole sectors where they are currently active. The timber frame industry in Scotland constructs over 40% of new houses. This compares with 6% in GB as a whole and 3% in England alone. These figures come from the NHBC and clearly show the possible severity of the proposed legislative changes.

ENERGY

OIL AND GAS

The Royal Bank/Radio Scotland oil index for May was 108.8, representing an average North Sea production level of 1.79 mbpd. This was an increase of over 2% compared with April, and was the second highest May production figures for five years. The main reason for the May increase was that fields which had been adversely affected by the March/April shutdown of the Forbes system were returning to full production.



According to provisional figures from the DTI, gross gas production in the three months to May 1993 was 164,244 gigawatt hours (gwh), 13.9% than in the equivalent period a year earlier. Gas supplied through the inland transmission system was 15% higher than in the first quarter of 1992, a large part of the rise being attributable to the increased use of gas for electricity generation. Imported gas accounted for 8.6% of total UK supply in the first quarter of this year.

The number of exploration and appraisal wells started between April and June 1993 was 18. This was a sharp fall from 31 well starts in the first quarter of this year and was 61% lower than the number of starts in the second quarter of 1992.

In August, the Monopolies and Mergers Commission produced a major report on the future of the UK gas industry. The report made four principal recommendations:

1. By March 1997, British Gas should be split into two separate companies. One would deal with trading activities, including the sale of gas and appliances. The other would deal with the transportation and storage of gas.

2. By March 1997, British Gas' monopoly of supply should be reduced to include only customers using less than 1,500 therms a year.

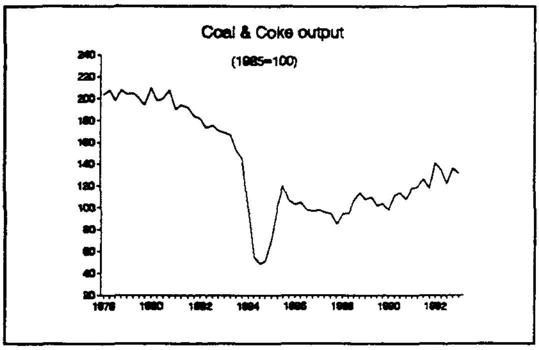
3. British Gas should set a rate of return on its pipeline assets of 4%-4.5%.

4. The pricing formula for household customers of British Gas should be altered to 4 percentage points below the rate of inflation, from the present 5 points.

The MMC report has received a mixed reception. Many would-be competitors argued that the proposed liberalisation of the market would take too long, while consumer groups and trade unions warned that the proposals could lead to job losses, higher prices for domestic customers and less safe gas supplies.

COAL, ELECTRICITY AND WATER

It was announced in July that the scheme to revamp Scotland's Water and Sewerage services, hinted at last quarter is to go ahead. The announcement that three water authorities are to be created as part of local government reforms, confirmed that water and sewerage services will remain under public ownership. A substantial role for the private sector in helping to find the £5bn needed to bring Scottish water up to European standards is expected. It is the proposed role of the of the private sector that has brought renewed fears of rising costs to consumers and accusations of a move towards privatisation. The Secretary of State has proposed to raise half of the required £5bn from the private sector and conceded that charges would inevitably rise to cover these costs. It was however pointed out that charges had already increased 55% since 1989 under the present system.



However concern was expressed that although the government seems to have bowed to public pressure in not choosing either of the proposed options of privatisation and franchising, the three water authorities will be quangos and part of a step-by-step move to full privatisation in the future. Further concern was expressed that local control would be lost along with restraints on charges to householders. At present there are no plans to introduce compulsory metering for domestic consumers and no plans to change the law that makes it illegal to disconnect domestic supplies. Nevertheless the exact extent of future private sector involvement is still vague with the government merely stating that it is seeking 'value for money' and that new authorities will be required to set charges to cover full costs of services and finance capital expenditure required.

Strathclyde regional councillors have rejected, for the second time in fifteen years, an attempt to introduce fluoridation into Strathclyde's water. The 56-16 majority voted to reject the Health boards proposal designed to reduce high levels of tooth decay among children. The anti-fluoridation lobby have been accused of scaremongering because of claims of links with fluoridation and diseases such as osteoporosis although the medical evidence is inconclusive. The decision has been called retrograde since it is claimed that fluoridated water could halve dental decay in five year olds within five years of introduction and that the alternative - an expanded programme of dental health was unlikely to materialise.

The coal and coke industries in Scotland showed a significant decrease in output in the first quarter of 1993 with a 3.7% fall in seasonally-adjusted output. Revised figures reveal that this follows an 11.5% rise in output over the fourth quarter of 1992. This compares with a small rise in output of 1.2% for the UK as a whole of the first quarter of 1993. There has been a year on year increase of coal and coke output in Scotland of 4% compared with a fall of 11% for the whole of the UK.

The outlook for the coal industry as a whole is at present rather negative. Continued environmental pressures and rapid expansion of gas-fired power stations supported by the government have not helped revive an already recession-dampened coal market. More recently British Coal has had to bear the costs of around £1bn in redundancy pay which has plunged it into the red despite an underlying third year improvement. As a result the nationalised companies annual report and accounts show an overall loss for the year of £588m compared with a profit of £185m in 1991/92. Productivity however has increased by nearly 20% at the 50 pits during the year and is now 25% up on twelve months ago. Although operating profits had improved for the third year in a row, up £123m to £545m in year to March, exceptional costs were up including the £1.02bn costs of redundancy and the cost of keeping open pits after the governments review of closure plans. It seems however that the stay of execution will be short-lived as the government is keen to promote the free-market approach and as such has actively encouraged expansion of the more economic and more environmentally friendly gas-fired power stations. Energy demand is likely to dampened with an anticipated reduction in sales in the future. Added to this, the running down of stocks and stable supply from the nuclear sector has not helped. The future of the coal industry depends on how much coal the industry can persuade the electricity companies to accept. A recent agreement called for a 25m tonne cut in output plus a 20% price cut. There is now the threat of pit closures and job losses.

However a possible rescue package for Scotland's coal industry may come in the form of Mining Scotland. This group of former coal managers, industrialists and union leaders have set up a company to try and buy the Scottish coal industry. They are pressing the government to separate British Coals' assets from the rest . Confidence was expressed that financial backing could be found for the buyout and expansion if government consent was given for Longannet and the mothballed

Frances colliery and others to be handed over. The consortium revealed they were prepared to invest £200m over a period of 7/8 years, utilising Scotland's coal and doubling the workforce. They stress the low sulphur content of Scottish coal on the plus side and point to a possible reduction in gas supplies and increased electricity supplies to England as an indication of their bright future.

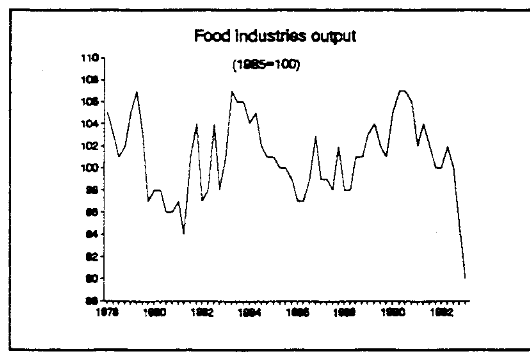
The government has brought forward the planned review of the nuclear industry by a year. The review is likely to start this year and will decide the likely future of Sizewell C, successor to Sizewell B and the future of the Thorp waste processing plant. This is crucial for the Scottish Nuclear industry as consent for Sizewell C would leave the way open for Hunterston C and extension to Hunterston B.Improved efficiency has helped as Scottish Nuclear to increase its output from 12.2 terawatt hours three years ago to 14.3 last year, a 25% increase. It is expected to be 15.1 this year. Two years ago it cost 32p to generate a unit of electricity now down to less than 3p. The target for 1994/5 is 2.5p. The future of the Scottish Nuclear industry depends very much on the strength of the environmental lobby and how well they can compete with the 'safer ' and more economic gas-powered electricity producers. However the industry feels confident that possibly gas prices will rise improving its position in the future. The reaction of the city so far has been negative because of uncertain liabilities and this is likely to be the case in the future.

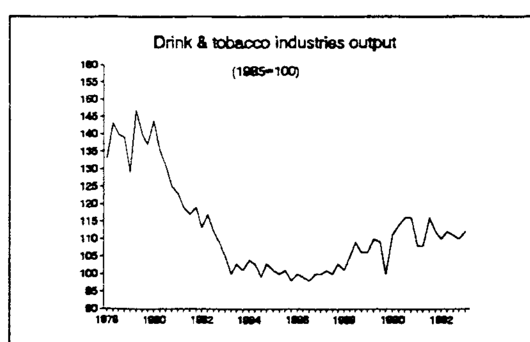
MANUFACTURING

FOOD, DRINK AND TOBACCO

The output of the food industry has continued to fall in Scotland with the index of production recording a further 4% drop in the first quarter of this year. This was a period during which output across all manufacturing increased by 1.6% and output in the UK industry rose, albeit by a modest 1%. The Index for food now stands at 90 (1985=100), well below the peak level of 107 achieved during the second quarter 1990. In contrast, drink and tobacco output rose by 2%, slightly in excess of the average rise across all manufacturing.

The Scottish Chambers Business Survey (SCBS) results for the second quarter 1993 also show few signs of encouragement. 59.6% of respondents felt that the general business situation had not changed in the preceding three months, although there was a positive balance of optimism with 26% feeling more optimistic against 14% who felt less so, a difference which may be explained by the better performance of the drink and tobacco sector noted above. Sales have held up best in export markets, with 28% reporting an increase in export sales, the same proportion reporting a decrease. However, the net balance of increase and decrease in sales was negative for both Scottish (-4%) and Other UK sales (-12%). However, the most telling statistic to emerge from the July survey is that 100% of respondents cite a lack of new orders as the factor considered most likely to limit output growth in the next few months, a considerable increase on the 74% figure recorded by the April survey.

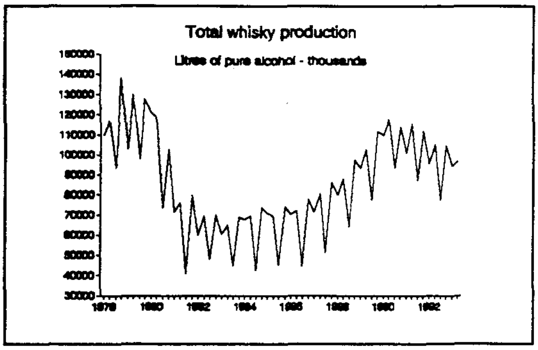




In the company sector, Scottish and Newcastle, operating profits fell by 3% in the year to May in the face of a stagnant market for beer where demand fell by 2%. S&N is, however, continuing to feel the benefit of strong growth in its leisure division, particularly from Center Parcs. It now operates 12 of these across Europe, and saw turnover in this division increase by 8% to £335 million, returning a profit of £78 million.

WHISKY

The situation with regard to whisky exports is now complicated by the fact that, since the completion of the single European market, data are no longer available from HM Customs and Excise for EC exports. The Scotch Whisky Association does, however, compute its own figures for EC trade, and future information will be provided from this source.



During the first six months of 1993, the volume of exports to non-EC countries rose by 2.7% to 65 million litres of pure alcohol (LPA). By contrast, exports to the EC (for the five months to May) fell by exactly the same percentage, to 29.5 million LPA. Since non-EC exports account for nearly two thirds of total shipments, this suggests that total exports by volume rose slightly during the first half of the year compared with the corresponding period in 1992 (unless EC shipments are found to have stagnated in June). Given the depressed level of economic activity in some of the major EC economies, this is a good performance overall, and continues the slight improvement in volume shipments which began in the second quarter last year following three continuous years of declining exports.

Meanwhile, the home market continues to stagnate as it has done for several years. In the twelve months to the end of May, home consumption fell by 5.5%, and there is no likelihood of a speedy reversal of this trend.

Ownership of another malt whisky distillery has changed hands, and there is also news of a new distillery being planned. In June, Burn Stewart, one of only five Scottish-owned quoted whisky companies, purchased the Ledaig (Tobermory) distillery on Mull. This distillery was formerly owned by Tobermory Distillers Ltd, and has produced little whisky in recent years. For Burn Stewart the purchase serves several purposes. It adds a new source of fillings to the company's existing Deanston distillery (bought from Invergordon Distillers two-and-a-half years ago), and confirms Burn Stewart's desire to be taken seriously as a distiller rather than the broker which it once was.

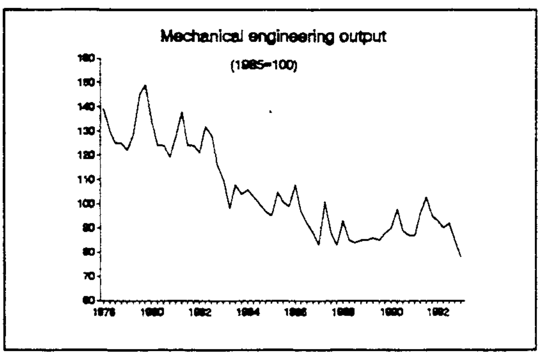
Plans have also been announced for that rarest of events, the building of a new distillery. Isle of Arran Distillers, a new company, plans to build a distillery with a 1 million LPA capacity (similar to that of Ledaig) near Lochranza on Arran. This venture appears to be firmly geared towards the specialist malt-drinkers market, with potential investors being invited to become bondholders, securing the rights to several cases of whisky in the future. While this marketing technique may insulate the company to a large extent from the vagaries of the international whisky market, there are also plans to sell some of the spirit on the new fillings market, although the success of that part of the venture will depend on the fortunes of the industry generally.

MECHANICAL ENGINEERING

Another substantial fall in output (-8.2%) was recorded in the Scottish mechanical engineering industry in the first quarter this year, following a 7.6% fall in the final quarter last year. Although the year-on-year - 1992 over 1991 - reduction in Scottish mechanical engineering output is more or less in line with that of the UK industry (-5.5% against -4.8%), the recent Scottish performance is very poor when compared with the UK. The latter suffered a very slight reduction in the final quarter last year but then levelled off in the first quarter this year. Moreover, in contrast to the recent strong performance in several Scottish engineering industries, the decline in the mechanical engineering industry is particularly conspicuous.

This latest contraction in the Scottish industry came rather as a surprise, since the April issue of the Scottish Business Survey pointed to a stabilisation in output - if not a modest recovery - in the first quarter this year. Perhaps the optimism expressed by the responding firms in that survey has not materialised yet. This optimism is again hinted at in the latest Scottish Business Survey; a net 4% of firms expressed optimism about the general business situation. This compares with a net 19% of firms expressing optimism in the April survey, and reflects the fragile nature of business confidence in this industry.

In terms of new orders and sales in the first quarter this year, there are signs of an improvement in the latest survey. Only a net 2% - compared with 11% in the previous survey - reported a reduction in the total volume of sales. A very encouraging sign is that for the first time in several years, a large number of firms recorded increases in the total volume of new orders in the first quarter. This healthy trend is expected to continue into the third quarter. Despite the fact that a net 4% of firms experienced reductions in overseas orders in the second quarter, it is expected that overseas orders will grow strongly in the third. This is important for the revival of the industry, as the domestic markets remain weak and any recovery is likely to be export-led.



The trend of running down on the stock of finished goods, work in progress and raw materials continued, and is expected to persist in the third quarter. However, this trend is not as severe as it was in previous quarters, reflecting the fact that the industry is gradually, although slowly, beginning to recover. Capacity utilisation has risen from 72.2% to 75.4%, which is in keeping with a slow recovery.

Investment intentions are also being revised upwards, especially for investment in plant and equipment. The main reasons for committing investment are: increasing efficiency (44.4%), expanding capacity (25%), replacement (13.9%) and introducing new projects (11.1%). A significant change to investment intentions is the large increase in the proportion of firms investing in order to expand capacity and to introduce new projects and new technology. An increasing number of firms see plant capacity as one of the factors limiting their output over the next quarter.

Employment prospects in this industry remain bleak in the near future, despite the continuing restraint on wages and salaries. There were more firms reporting cuts in all forms of employment than firms' reporting new recruits in the survey. The worst hit were part-time, temporary and sub-contracting workers. Again, very few firms experienced any problem in retaining employees in particular occupations. A glimmer of hope is that the recent job cuts were not as severe as previous cuts.

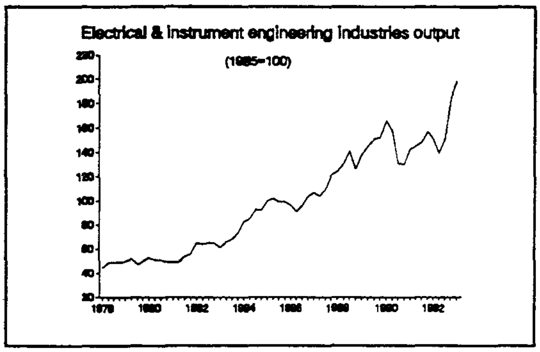
From the evidence available, it is clear that the Scottish mechanical engineering industry has not completely come out of the shadow of the recession yet. However, there are encouraging signs in new orders and investment intensions. Much hinges on the materialisation of the expected growth in exports. Given the recent strengthening of the pound and the weakening of several major European economies (especially Germany and France), the recovery in this industry looks set to be slow and patchy.

ELECTRONICS

The staggering rise of 30% in the value of production in the electronics sector in the final quarter 1992, which the last issue of this Commentary advised should be treated with some scepticism, has now been revised upward in the latest issue of the Index of Production to show an increase of 33% over the period. With a further rise of 8% recorded in the first quarter of this year, the index for electronics now stands at 198, almost double the 1985 value. However, we remain very sceptical about whether the increase recorded in the final quarter of last year is an accurate reflection of the recent state of the industry in Scotland for the reasons noted in the June Commentary, principal among which are the state of demand in the industry's principal markets in Europe. The 8% rise in the value of output in the first quarter may be a better indication that the industry is returning to a healthier position. During the quarter, output in Scotland is recorded as having increased by twice the rate of the industry in the UK.

Some improvement does appear to be confirmed by the findings of the Scottish Chambers Business Survey. 52.9% of respondents to the July survey reported feeling more optimistic than at the same point in 1992. 37.5% reported an increasing trend in new orders compared to only 24% reporting a decrease. Furthermore,only 14% expect the trend in new orders to fall in the next three months compared to 34% who expect it to increase.

However,74% of respondents continue to cite new orders as the factor most likely to limit output in the next three months, indicating that any recovery in output is, as yet, far from firmly entrenched.



Looking across the wider industry,two potentially significant developments could have longer term implications for the industry in Scotland. The first of these is that an international consortium, led by Motorola, have completed the first round of the financial arrangements for the so-called Iridium Project, which aims to produce the first global mobile telecommunications network by launching 66 telecommunications satellites by the end of 1998. In addition to providing the infrastructure for a global mobile telephone network, the system will also allow paging and fax services. Iridium is one of five potential schemes, but is the only one to which hard cash has so far been committed. The total estimated cost is around £3.5 billion and the first tranche involves an investment of £800 million, £270 million of which has been provided by Motorola. The Scottish connection is Motorola's mobile telephone plant at Bathgate which began production last year and which has already been expanded in size. The company owns only two mobile telephone plants in Europe and a successful development of Iridium is highly likely to lead to more jobs in West Lothian when the project becomes operational.

While any Scottish connection is less obvious in the second important development, its significance for the industry in Scotland and elsewhere could be even greater. Apple's launch of what it claims will be the next generation of personal computers occurred last month with the introduction of the Newton 'personal digital assistant'. The Newton is a hand-held device which is part electronic organiser but can also, with suitable add-ons,communicate with a PC and send fax messages and communicate with other Newtons by infra-red beams. The current device is still fairly rudimentary (for example, the beams can only communicate at a distance of under a few feet) and there is as yet very little software support, so that there are doubts as to whether it could currently be very useful given its current state of evolution. However, the example of the PC in the 1980s shows how quickly electronics technology can take off and gain market acceptance, and machines capabilities will undoubtedly evolve in the near future. Whether it does represent the next step in personal computing is not clear, although Apple's innovative record in this respect should be borne in mind. What is probably of greater significance is that it shows the willingness of the industry to continue to compete by introducing radical new technologies, marking a resurgence of the innovative strategies which have the main feature of competition in computing.

More mundane problems have recently hit the major Scottish-owned electronics company, Prestwick Circuits, which has announced a loss of £3.7 million for the year to July, on a turnover of £18 million. All of the losses stem from problems with the recent acquisitions made by Prestwick, notably the specialist PCB manufacturer GTN and the PCB assembler Interconnect. The difficulties with the acquisitions have led to the resignation of the company's Managing Director.

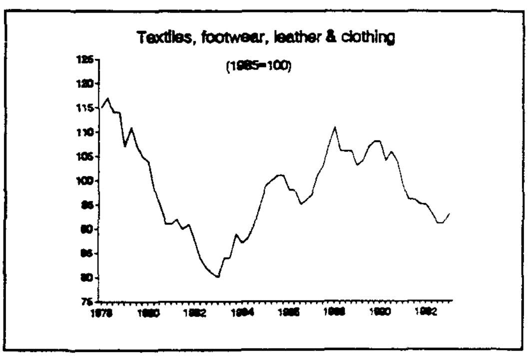
Finally, the NCR cash machine plant at Dundee has reported a six-fold increase in profits for the first half of this year, partly fuelled by a doubling of exports which increased 102% on the previous period in 1992. The importance of the company as an export provider to Tayside is shown by the fact that 42% of all 1991 exports from Tayside were in Data Processing Equipment[1], the majority of which are probably from NCR.

(1) Survey of Tayside Manufacturing Exports in 1991/2, Scottish Council, 1992

CHEMICALS AND MAN-MADE FIBRES

Unlike Scottish industry as a whole, there is as yet no respite in the decline in the chemicals and man-made fibres sector of the economy. The latest Index of Production and Construction Index shows a 5% fall in first quarter 1993 compared to fourth quarter 1992, and a 9% fall compared to first quarter 1992. The measure of production in the latest four quarters compared to the previous four also shows a fall, of 6%. However this continues to contradict the more upbeat Chambers of celebration, the fact that output has stopped falling will bring a sense of relief to producers.

The results of the July Scottish Chambers Business Survey (SCBS) also provide some evidence of recovery. 56% of survey respondents reported that they felt more optimistic about business prospects than at the same time a year ago, while only 19% felt less optimistic.48.5% reported that the trend in new orders was upward and over half (55%) felt that this trend was likely to continue in the next three months.Only 21% of respondents had experienced a fall in orders in the three months up to July. The strongest growth in orders occurred in export markets,no doubt a reflection of sterling's value against the major European currencies. Significantly, while 59% of companies continue to cite new orders as the factor most likely to limit output over the next few months(an indication that there is still a lack of confidence over the strength of recovery despite the above),18% of respondents now feel that output in the next three months could now be constrained by a lack of skilled labour.

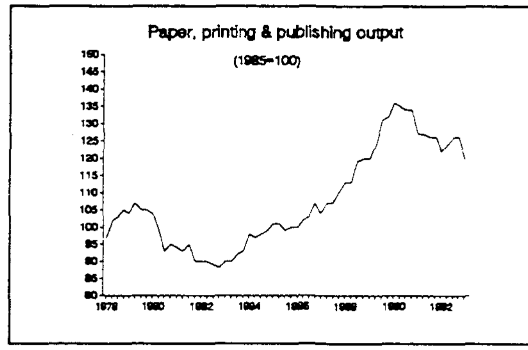


Elsewhere, a new initiative has been launched to help support the Harris Tweed industry. Harris Tweed currently employs 500 in the Western Isles but has been in decline since the mid-sixties, when it employed 2000. A Harris Tweed Working Party has now been formed and has initiated a five year strategy aimed at rebuilding the industry by supporting investment and providing retraining and marketing support, the latter focused particularly on the American market. A £2 million investment programme to provide new double-width looms is to receive £1.4 million of joint support from the EC and Highlands and Islands Enterprise.

PAPER, PRINTING AND PUBLISHING

The latest index of production shows growth of -4% in the first quarter 1993. This compares with growth of 1% in the UK as a whole. Annualised growth - the latest four quarters on the preceding four - reveals growth of -1% in Scotland and 2% in the UK.

Figures from the latest Scottish Chambers' Business Survey indicate a rise in business confidence, with a net 18% of firms feeling more optimistic about the business situation than in the previous quarter. A net 11% of firms are more confident than in the corresponding period in 1992.



The volume of new orders fell for a net 7% of companies with the main decline being in Scottish orders. However, a net 11% of companies expect order levels to improve in the next quarter, with recovery expected particularly in the export market. Total volume of sales have fallen for a net 9% of firms with again, domestic trade sharing the poorest performance. A net 18% of firms expect the total levels of sales to increase in the next 3 months, with particular improvements expected in Scottish sales. Companies are on average operating at 77% capacity which is slightly lower than at this time last year.

Investment intentions have been revised upwards for a net 6% of companies and investment in both plants and equipment and land and buildings is expected to rise in the next quarter. Employment trends show no immediate signs of improvement. Total employment levels fell for a net 19% of companies with this downward trend expected to continue into the next quarter.

Stirling Recycling of Gartcosh, near Glasgow, have announced that they no longer intend to pay for waste newspapers which it collects for recycling purposes from councils in Glasgow, Edinburgh and Falkirk. The company claims that excess supply of waste paper, particularly from the subsidised German recycling industry has flooded the market, thus pushing prices down. A spokesman from the Independent Waste Paper Processors' Association foresees the problem as worsening with councils having to pay companies to take their waste paper, which will greatly increase costs to councils of administering recycling schemes.

Dundee company Sidlaw which deals in packaging and oil services are set to expand their packaging operations following the acquisition of the packaging sector of Courtlands, the chemical group. The buyout will be partly financed by Sidlaw's share issue which is expected to raise £53 million.

Digby Marow, Sidlaw's chief executive claims the move will expand the company's market into Europe following the acquisition of 11 new businesses, including plants in France, Spain and the Netherlands. Sidlaw will now expand production by moving into the packaging of snacks and confectionary products in addition to the medical supplied and frozen foods markets in which they currently operate.

SERVICES

FINANCIAL SECTOR

There can be little doubt that over the last twenty years the life assurance sector has been one of the success stories of the Scottish Financial Sector. Success is always difficult to measure, particularly of companies that are mutual and have no (relatively objective) stock market valuation upon which to base a view, but despite this the increased market share of the life companies in many of their main fields of activity, points to successful management able to secure continued growth and expansion. Of course, the industry has not been without its critics. The industry was slow to enter the rapidly expanding unit trust market, some felt that this was typical of the Scottish industry's takeup of most new opportunities, and their dependence for sales on independent financial advisors in the absence of strong direct sales forces has left them horribly exposed in a market in which independent advisors are under threat. Despite this the industry has continued to expand its business and appears to have thrived. Sales alliances with major banks and building societies appeared to provide some sort of answer to the problems posed by the lack of distribution channels that threatened them.

The prospects for the future, however, look much less certain. On the one hand changes in both the ownership and control of some Scottish life assurance societies pose threats to the shape and size of the Scottish life industry. On the other hand, the Chancellor of the Exchequer's decision to require the disclosure of commissions may undermine the sales and success of the industry. The changes in the ownership of the sector have been discussed at length in this column in the past. F S Assurance, Scottish Mutual and Scottish Equitable have all effectively changed hands in the last three years whilst Life Association of Scotland has recently been put up for sale. True, the ownership changes do not affect the Scottish industry's giants such as Standard Life but they do reflect the difficulties that the companies as a whole have been facing in the life assurance market. The consequences of the changes in ownership are difficult to assess. The best outcome would suggest that there will be an expansion of the companies activities in Scotland with benefits to the Scottish Economy. It is worth remembering, however, that the consequence of an earlier wave of takeovers in the industry was a loss of senior jobs from Scotland. Total employment did not appear to suffer but there was a substitution of lower paid for higher paid, senior managerial positions. We might reasonably expect, on balance, a similar effect this time around. There is an inevitable shift of control to the 'new' headquarters and a loss of revenue to the local economy. The overall effect may be small if the changes are accompanied by a growth in business but the prospects for this are far from bright for the life assurance sector as a whole.

The decision by the Chancellor of the Exchequer to require tied agents and company salesmen as well as independent financial advisors to disclose their commissions and remuneration as a cash sum to potential customers may severely affect sales of life assurance products by the sector as a whole. In some ways the decision is good news for the Scottish companies. The fear has always been that the independent financial advisors would be required to disclose commissions whilst tied agents would not. This would have created a bias towards selling life assurance outside the independent financial advisor network, a bias that would have proved painful to the Scottish companies since a relatively small portion of their sales has been through tied agents in the past. However, the move towards more disclosure, whilst fairer than might have been the case, still poses real problems for the life companies. The worry must be that consumers will purchase less life assurance when they appreciate the very high levels of commission in the first years of a policy that are paid to salesmen, with consequent effects on the expansion possibilities of the industry.

The prognosis is not necessarily all bad, however. It has been common since the inception of unit trusts for them to publish details of their initial and annual management fees. Initial fees can be a substantial part of the capital invested in a fund (eg 5%) and reflect, in part, the payment of commission to intermediaries and other selling agents. Until 1979 unit trust fees were tightly controlled so that trusts conformed by and large to a few well known patterns such as low initial charge and relatively high annual management charges. Since 1979 however, the trusts have had much greater latitude and can essentially charge what the unit trust market will bear. The result has been a substantial and marked increase in the fees charged to investors. At the same time the unit trust sector has continued to grow and develop, not always smoothly, but relatively rapidly. The clear inference must be that consumers are not deterred by high charges. Indeed, the opposite may be true. Consumers feel that by paying more they secure better advice and performance although there is plenty of evidence to suggest that better performance is unlikely after adjustment for risk. However, the majority of consumers do not have access to such evidence and in any event are interested in the future and not the past. Their expectations of future performance determine their purchasing preferences and, in so far as these expectations are based on little information and relative ignorance, they are susceptible to manipulation. The desire for and belief in the possibility of large easy gains conditions investors to believe that the size of management charges is largely irrelevant to the performance of the fund. In the short term a substantial gain will swamp the impact of management charges. In the long term this is less likely to be true.

How far can the unit trust experience be taken as a guide to the life assurance market? In so far as life assurance provides a smoothing function to investors the unit trust experience may not apply. Investors purchase life assurance to achieve a steady and secure growth in their capital but at the expense of securing short term peaks of performance. Investors in this market may regard high management charges as a blight to be avoided. The stock market in marking life assurance share values substantially down after the Chancellor's announcement was in some sense providing support for this view (the total market value of listed life companies was reduced by £1bn after the announcement). However, it is difficult to believe that rationality in consumer decision making will prevail in the life assurance sector but not in the unit trust sector. If unit trusts could increase management charges without obvious effects on sales (of course, we cannot know what sales would have been in the absence of any charges but we do know that sales continued to grow rapidly despite the more than doubling of total management charges) there seems little reason to believe that the disclosure of life assurance commissions and charges, particularly if the charges are disclosed as part of a package of information, need drastically affect sales. Some repackaging and restructuring of life policies may be necessary. Commission to sales staff may need to become costs of advice and financial planning. The time pattern of commissions may need to be adjusted (but the present value maintained) to appear more acceptable but there is a substantial chance that relatively minor and cosmetic changes in packaging will prove enough. For small companies in the life sector, some independent financial advisors for example, the changes may have a dramatic impact. A change from a one-off up-front commission to a sequence of commission payments over time may be too much for some advisors unable to borrow easily against future uncertain flows. New intermediaries and contracts may be necessary to convert future streams of earnings from commission into lump sum payments now, but the changes should not be too dramatic. This is, of course, only one of the many scenarios that are possible. Consumers may balk at paying commissions so that the sales of life assurance fall. Funds may be switched into unit trusts and other investment vehicles. On the basis of the unit trust experience this does not appear too likely. Even if it does occur the consequences may not be too disastrous since many of the life companies are also involved in selling other financial products.

Where does all this leave the life assurance companies? We might expect performance comparisons to become an even more important aspect of life assurance sales with companies appealing to consumers primarily on the basis of their performance; high charges lead to high performance! To secure this performance a proliferation of league tables may appear so that any company can win against one or more standards of comparison. At the same time we might expect policies to offer many more options and extras. Companies could use futures, for example, to guarantee minimum levels of performance to clients, particularly relevant where life assurance is being used to buy a house. The possibilities are almost limitless. The hope must be that increased disclosure will inject increased innovation into an industry that has been according to some critics, resistant to change and slow to innovate. Critics who claim that the Scottish industry has often been slow to innovate will perceive the outlook as grim for the Scottish life companies. More optimistic souls will be relieved that much management time spent lobbying for the status quo, non disclosure of commissions, can now be released and hopeful that the Scottish life sector will move forward. Its actuarial strengths suggest that much technical expertise exists so that the design of new insurance instruments should be reasonably easy.

The future shape of the Scottish industry remains in doubt. The pressures for securing secure distribution channels through acquisition by a bank or a building society may have abated for the time being but it is difficult to believe that distribution does not remain the key to success in the industry. The advantages of independent financial advisors is that many are small, entrepreneurial operations that display flexibility and a willingness to change. The problem is that increased regulation acts as an impediment to the process and favours size and conservatism. The fear must be that the independents will continue to decline forcing the remaining Scottish life offices to link to other intermediaries with secure distribution channels and ultimately lead to a substantial decline in the Scottish life assurance sector.

DISTRIBUTION

ARGOS, the catalogue showroom retailer reported a rise in profits to 13.2 million for the 24 weeks to 19 June. Sales in the showrooms expanded from £332 million to £366 million in the half year. Director, Peter Fishbourne said most of the growth had come from management initiatives rather than retail buoyancy.

Annual results at MFI, furniture manufacturer and DIY retailer, were transformed by a successful share float last July which reduced bank borrowing from £503 to £85 million and net borrowing to £62 million at the end of 1992-93 financial year. Net interest charges fell from £69 million to £25 million. Pro forma figures eliminating effects of rights issues give a fairer impression of the situation. They show a drop in sales of 6.7% and a pro forma operation profit of £50.5 million, down 30% on the previous year.

A report by BZW rebutted persistent allegations that the big three supermarkets are acting as a cartel by suggesting a return to aggressive price cutting. The rise of discount stores is the main cause of problems for the big three, their market share is currently around 9% but is predicted to rise to 20% by the end of the decade. The recession, greater price sensitivity among consumers and competition from the new discount warehouses will, according to management consultants McKinsey, force supermarkets to respond by reducing prices.

Evidence from the latest Scottish Chambers' Business Survey, for the second quarter of 1993, showed that the rate of increase in wholesale optimism declined, nonetheless a net of 8% of respondents reported an increase in business confidence. A balance of 9% of respondents were more optimistic than in the second quarter of 1992. Business confidence among Scottish retailers remained level at a balance of +10%. A net of 29% of respondents were more optimistic than in the second quarter of 1992.

The trend in total sales increased for a balance of 4% of wholesale firms. 47% of responding firms cited credit facilities as the factor most likely to limit sales during the next three months. The trend in total retail sales continued to rise; a net of 20% of firms reported an increase, the highest level since the fourth quarter of 1990. Expectations are that sales will continue to increase during the third quarter.

The steady slowdown in the rate of decline of the trend in total retail employment continued; indeed a net of 4% of respondents expect an increase in total employment during the three months to September. During the second quarter firms increased their use of part time and temporary staff. The rate of decline in the trend in wholesale employment slackened during the three months to June. The rate of decline slowed in all categories. A balance of 1% of respondents expect an increase in employment during the third quarter.

HEALTH

Matters of interest come from far and wide this quarter. For once, little was reported from Glasgow, whose citizens still await the health board's proposals for the reorganisation of acute care.

Mixed results regarding waiting lists were published in the NHS Patient Treatment and Waiting Time Bulletin: the numbers of out-patients seen increased, with fewer lengthy waits; the percentage who wait more than one year for in-patient or day care treatment fell; however, the numbers waiting more than two years increased, and in some areas overall waiting lists increased. The Labour Party published an audit of the NHS in Scotland which predictably emphasised such matters as fewer beds, less hospitals, fewer nursing and ancillary staff, but an increase in administrators. The government, equally predictably, pointed to the increase in real spending since it came to office, and made no apologies for the increase in administration as part of the changes in train in the NHS since it expects concomitant increases in efficiency and value for money. Reports of plummeting morale amongst disaffected personnel are difficult to evaluate from the outside.

Maternity services are set for a shake-up, both north and south of the boarder. The southern version appeared in early August following the Scottish Office review. The essential change will be to a midwifery-led service and babies delivered at home rather than in hospital. This has sparked of a debate about costs, risks and benefits of such a change. Meanwhile in Fife the decision to close Dunfermline maternity hospital as part of a service change which includes a pilot midwife-led maternity unit at Kirkcaldy shows the way the wind is blowing, but does not lessen the opposition when a local facility of removed.

In the Borders the proposal to split acute and community services into separate trusts has provoked considerable public debate, notable for the views of most of the participants that the system is a model of integrated care. Sadly, integrated services do not appear to be on the government's agenda and the proposition that the split will help ensure that community services do not lose out financially to the acute sector seem debateable. It is hard to see from whence any competitive marked benefits might arise.

In Dumfries and Galloway, the health board has had to modify, for the time being, its implementation of a new policy on long-stay care provision for the elderly. The policy will not apply to terminally-ill patients and those convalescing. These patients would have been subject to the new policy which prevents elderly people not requiring medical or continuous nursing care from being admitted to hospital.

Raigmore Hospital in Inverness, which recently acquired trust status, put four wards on a five-day week in order to meet a 2% savings target expected by the government. Clearly trust status does not shield institutions from tough public sector determined financing decisions.

Meanwhile national attention has been focused on the possibility of performance related pay being implemented next year at the South Ayrshire Hospitals Trust; faster patient turnover, for example, could lead to cash bonuses for nurses. This would be the first acute trust to try this approach. The implications of this approach for the quality of health care will be watched with great interest, and not doubt produce the usual rash of conflicting claims from competing viewpoints which, unfortunately, all too often characterises what passes for informed debate about health service matters.

Finally the NHS in Scotland has a new chief executive in Geoff Scaife, who comes from the Mersey region, a model region as far as the government is concerned, given its enthusiastic application of the health service reforms.

TRANSPORT

Rail

Lack of investment could threaten the privatisation of British Rail. Sir Bob Reid, chairman of British Rail has stated that the financing limit for 1993/94 is not sufficient to meet the £850 million required to maintain the present level of infrastructure. The £150 million set aside in the Chancellors Autumn Budget will go to either Intercity or Network SouthEast.

The Government is being given a helping hand from Hambros Bank in the ways and means of securing £300 million investment from the private sector as part of the £1 billion required to upgrade rails, ballast and signalling equipment. This should help to make British rail an altogether more attractive option to potential shareholders.

In addition to the cost of breaking British Rail into 25 competing franchises, estimated to be as high as £200 million, proposals leaked to the environmental travel group Transport 2000 reveal that commuters in the South East can expect fares to increase by up to 16.2%. This is the preferred option for raising the £25 million shortfall in funding; single fares would rise by 12%, season tickets by 7% and the

All Zone Travel Card by 16.2%. Other options would be smaller fare increases but with cuts to rural services.

Jobs Threat at Jetstream

Jetstream, the Prestwick subsidiary of British Aerospace, has warned its 2,500 workforce that there is a prospect of substantial redundancies.

Jetstream manufactures the J31 and the J41 turbo propeller airlines. Orders for the J31 have all but dried up and sales of the J41 have been stalled by the recession. Between 1991 and 1992 orders worldwide had dropped from 451 to 222 planes and it seems unlikely that the commercial aviation recession will finish during the next 18 months. This has serious implications for the development of the J71: Jetstream had been hoping that the government would provide half of the £450 million required for development. However the least risk option for the industry at the moment is making older aircraft last longer.

The Managing Director of Jetstream, Mr Allen MacDonald, has stated that the company must significantly reduce production costs. Major redundancy programmes had either been announced or were under consideration by other manufacturers; Westland Aerospace announced that it would be cutting 81 jobs.

TOURISM

The big recent development in Scottish tourism has been the announcement in June by the Secretary of State of the findings of his review of tourism support arrangements in Scotland. Over 400 organisations and individuals had made submissions to the Scottish Office in response to the Secretary of State's invitation, reflecting a high level of interest in the business of tourism, if only a limited diversity of strategic thinking.

The result is a muted triumph for the Scottish Tourist Board. Ian Lang's statement to the House of Commons talks of strengthening the involvement of other national agencies at top level, but it is quite clear that the STB has maintained and enhanced its primacy as the leading agency for government support of tourism.

Highlands and Islands Enterprise yields to the STB its promotional function and its role as financial supporter and co-ordinator of Area Tourist Boards in its domain. Most observers will consider this to be a common sense move. It will eliminate the largely unjustifiable duplication of promotional effort and open a more direct route to a coherently integrated national Area Tourist Board structure with common standards throughout Scotland.

HIE and Scottish Enterprise, on the other hand, are given sole charge of what the statement calls "business development activities". What this means is that STB will lose the funding designated under Section 4 of the 1969 Development of Tourism Act (and abolished in England in 1989) which allows the Board to support tourist projects by means of grants and loans. In 1992/93 this amounted to £3.5 million. For some time the Board's main priority in disbursing these funds has been to provide assistance for the development of visitor attractions rather than accommodation facilities. The statement gives an assurance that the resources will be transferred to the Enterprise network. This change might also be deemed to be a sensible rationalisation, given the degree to which the Enterprise Companies are involved in project development activities with tourism significance. What is missing is any reference to transferring the expertise in the specialised field of tourism project assessment built up by STB in the last twenty-four years of administering Section 4 funds.

There must however by a certain amount of satisfaction at STB headquarters at the call for a national Strategic Plan (the Secretary of State's capitals!) for Scottish tourism covering both business development and marketing - and the fact that this plan is to be prepared by STB "working in close collaboration with Scottish Enterprise and Highlands and Islands Enterprise". This sees off the direct challenge of SE to take over the strategic direction of tourism and allows STB to set out its own vision, admittedly under the supervision of the Scottish Tourism Co-ordinating Group, but moulded and tempered by STB's own research and marketing activities.

The statement accepts that the Area Tourist Board structure is in need of reorganisation and that the number of ATB's should be greatly reduced. Some interesting innovations are introduced in this field. The boundaries of the new ATB's are to be defined by Order along with the legislation reorganising local government. The new Councils will have a statutory obligation to participate in the formation of Area Tourist Boards and those Councils wishing to market their areas as tourist destinations and provide services to visitors will be required to do so only through an ATB. But it is also laid down that

Executive Committees of ATB's, which have hitherto had an equal balance between trade members and local authority representatives, should now have a majority of trade interests.

The relationships between local authorities and Area Tourist Boards and the interactions between them are an important component in the structure of the Scottish tourism industry. This area is the subject of a current study at the Scottish Hotel School which is revealing a diverse and complex set of arrangements. These issues, which are linked to the broader issues of control and accountability raised by the reorganisation of local government, together with the much needed debate on national strategic priorities for marketing and development in Scottish tourism, should provide much interesting argument in the months ahead.

THE LABOUR MARKET

Employment

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 quarterly employment estimates, derived from employer-based surveys, are beachmarked on the biennial Censuses of Employment. Results from the most recent Census, for September 1991, have recently become available and have necessitated revisions to official employment estimates for the period after the previous Census of Employment (September 1989).

Tables 1 and 2 report the revised data from December 1991. The latest estimates can be compared with the pre-Census figures, which are presented within parentheses. The main points are that for December 1991; total employment was underestimated by 35,000 or 1.8%; total male employment had been underestimated by 11 thousand (1.1%), but the part-time component was overestimated by 20 thousand (19.0%); total female employment was under-recorded (by 24 thousand or 2.5%) as was part-time female employment (11 thousand, 2.6%). While employment estimates in production industries were little affected, there was significant underestimates of employment in metal goods etc. and overestimations in other manufacturing. Employment in construction had been underestimated by 16 thousand or 14.7%. In services as a whole employment was under-recorded slightly, employment was over-estimated in Public admin. etc. (by 29 thousand or 4.4%)

The revisions imply a rather different pattern of employment change over the year to December 1992 than had previously been believed. In particular; the fall in male employment was more marked, and the part-time component actually increased; the fall in construction employment was more acute (now estimated to have been 42 thousand or 7.5%); employment in public admin. etc. contracted by about 8 thousand, whereas the earlier estimates indicated an expansion of some 18 thousand.

The most recent employment data are for March 1993 and these are reported in Tables 1 and 2. Overall, total employees in employment fell by around 60,000 (3.0%) in the year to March 1993. Male employees in employment fell by 48,000 (4.7%), and total female employment fell by 14,000 (1.4%). Part-time female employment remained constant and full-time female employment fell by 14,000. Part-time male employment was the hardest hit category proportionately, falling by 21,000, or nearly 19%.

Over the year to March 1993, the biggest employment losses occurred in metal goods (17,000 or 10.6%) and construction (10,000 or 8.3%). No sector registered an employment gain. These figures offer little comfort; even traditional employment growth sources such as female and service employment fell in the year to March 1993.

Vacancies: stocks and flows

Over the year to July 1993 unfilled vacancies at job centres in Scotland fluctuated between 17.2 (15.9) and 19.5 (21.0) thousands on a seasonally adjusted (unadjusted) basis (Table 3). Vacancies fell by 0.8 thousands from 18.8 to 18.0 thousands over the year to July 1993 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 July 1993 inflows of 22.2 thousand were slightly greater than outflows (20.9 thousand). 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 13 of the 15 months up to and including January of this year. However, unemployment then fell in both February and March. It is unusual for unemployment to fall at such an early stage in what appears to be a recovery. Normally it takes some time for a recovery in output to feed through to employment as employers eliminate labour which they have "hoarded" during the recession. It still remains to be seen whether the data reflect the recent tougher line in the payment of unemployment benefits or genuinely reflect a recovery. However, the latter interpretation receives something of a blow from the most recent data, particularly the (provisional estimate) of a 2.1% increase in unemployment in July.

Over the year to July 1993 total unemployment rose by about 6.1 thousand, from a low of 240.5 thousand and from 9.5% to 9.7% of the working population. This represents an increase in the level of unemployment of 2.5 per cent. The aggregate figures reflect a decrease in female unemployment of 1.1 thousand, and an increase of 7.2 thousand in male unemployment.

Table 6 presents recent flows into and out of the unemployment stock. In July 1993 inflows were, at 49.2 thousand, about 0.3 thousand more than in the same month of 1992. Outflows were, at 34.6 thousand, 1.3 thousand more than in July 1992. If gross outflows were maintained at their March 1993 level unemployment stocks could turnover in just over 6 months.

BUSINESS SURVEY EVIDENCE

Results from the latest Scottish Chambers' Business Survey shed some light on the current trends in employment and unemployment levels. Whilst there is some evidence of increasing demand for labour, especially to meet summer peaks in demand, and in terms of increased levels of overtime, there is no evidence of any widespread growth in employment. The evidence points to the reverse - namely a continuation, albeit at a reduced rate, of a reduction in employment. As such, the recent increase in unemployment is as expected. However, the magnitude may reflect increased numbers entering the labour market and actively seeking employment. In the three months to June 1993, the trends in employment levels were as expected, namely a fall in Manufacturing, Construction, Distribution and Finance, and a growth in employment in Tourism. However, the results suggest that a slow down in the rate of decline in employment was evident in the second quarter.

Once again, the results suggest that firms are continuing to restructure their work forces into a more flexible form. The overall decline in employment levels in both Retail and Finance concealed increases in part time and temporary staffs. Elsewhere the downward trend in the employment of these employees was less than the downward trends in overall employment.

In the three months to September, Wholesale, Retail and Tourism respondents expect an increase in employment levels. In both Retail and Tourism this growth is expected to involve largely part time and temporary staff. Manufacturing, Construction and Finance respondents expect a slowing down of the rate of decline in employment. Oil respondents, however, expect the downward trends to accelerate in the third quarter.

Within Manufacturing all sectors, apart from textiles, reported decreases in total employment. However, the slowing down in the rate of decline in employment levels is expected to continue through the third quarter. In metal manufacture, electronics and miscellaneous manufacture pundits expect a slight growth in employment levels.

Further signs of an increased demand for labour were indicated by the increasing levels of overtime working which were reported in both metal manufacture and textiles. Downward trends continued in other manufacturing sectors. Expectations of increased overtime working in textiles, and level trends in electronics and miscellaneous manufacture, support the indications of a slight increase in both activity and demand for labour.

In the second quarter recruitment activity increased in all sectors. However, for all sectors apart from Manufacturing, the percentages seeking to recruit staff still remained lower than those recorded for the second quarters of 1991 and 1992. Relatively few firms reported increased recruitment difficulties in the second quarter. Those that did - one fifth of manufacturing and one third of construction and tourism - reported difficulties in recruiting skilled manual.

Within Manufacturing, significant difficulties in the recruitment of skilled manual staffs were evident in mechanical engineering, electronics, food, textiles and miscellaneous manufacture.

Average wage/salary increases continued to reflect the depressed demand for labour, although there has been a slowing down in the rate of decline in the average settlement level. It is questionable whether the average settlement will fall much further in the second half of the year. However, in the second quarter average increases continued to fall in Construction, Wholesale, Retail and Finance, but rose in both Manufacturing and Tourism. In all sectors, with the exception of Manufacturing, average increases in the first quarter were 4% or less.

Within Manufacturing, average increases were 4% or less in chemicals, textiles, paper, printing and publishing. The highest average increases were reported in the electronics and food, drink and tobacco sectors.

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	Manuf.	Services
		All	of which P/T	All	of which P/T		1-5	1-4	2-4	6-9
1979	Jun	(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]
	Jun	[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] (1,978)	[573] (571)	[449] (450)	[388] (391)	[1,356] (1,377)
	Jun	[1,015] (1,031)	106	[944] (953)	[414] (417)	[1,959] (1,984)	[562] (561)	[443] (444)	[383] (385)	[1,368] (1,394)
	Sep	[1,011] (1,026)	103	[947] (954)	[418] (414)	[1,958] (1,984)	[560] (567)	[443] (444)	[383] (385)	[1,370] (1,394)
	Dec	(1,026) 1,037	(105) 85	(952) 976	(416) 427	(1,978) 2,013	(543) 560	(434) 435	(376) 377	(1,416) 1,425
1992	Mar	(1,020) 1,026	(112) 87	(955) 980	(418) 429	(1,975) 2,005	(535) 551	(430) 431	(373) 372	(1,411) 1,426
	Jun	(1,024) 1,024	(123) 92	(956) 981	(419) 431	(1,979) 2,005	(528) 544	(425) 425	(368) 368	(1,424) 1,434
	Sep	(1,008) 1,015	(119) 95	(948) 972	(416) 428	(1,956) 1,986	(519) 534	(418) 418	(361) 360	(1,410) 1,425
	Dec	(993) 990	(95) 96	(971) 974	(436) 437	(1,963) 1,965	(520) 518	(405) 405	(348) 348	(1,418) 1,421
1993	Mar	978	91	966	429	1945	512	401	345	1,406

Source: Department of Employment Gazette

* Figures within [.] reflect estimates prior to the 1989 Census of Employment
Figures within (.) reflect estimates prior to the 1991 Census of Employment

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	Jun	[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]
	Jun	[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] (654)
	Jun	[29] 28	[60] 59	[42] 38	[161] (153)	[180] (194)	[120] (117)	[408] (415)	[107] (111)	[187] (205)	[665] (662)
	Sep	[29] 28	[60] 59	[42] 38	[161] (153)	[180] (194)	[116] (114)	[408] (415)	[108] (112)	[182] (203)	[673] (664)
	Dec	28	58	41	(153) 163	(184) 173	(109) 125	(418) 416	(111) 115	(213) 209	(664) 693
1992	Mar	28	58	40	(153) 160	(183) 172	(105) 121	(411) 409	(110) 115	(217) 209	(673) 694
	Jun	27	58	39	(147) 154	(185) 174	(103) 119	(419) 416	(109) 114	(223) 211	(672) 688
	Sep	28	58	38	(143) 151	(182) 172	(101) 116	(416) 413	(107) 112	(220) 213	(667) 685
	Dec	26	57	36	(147) 147	(165) 165	(115) 113	(417) 417	(111) 111	(208) 208	(682) 685
1993	Mar	26	56	36	143	(166)	111	401	110	208	687

* See notes to Table 1

Source: Department of Employment Gazette

TABLE 3 UNFILLED VACANCIES AT JOBCENTRES - SCOTLAND ('000s)					
	Seasonally adjusted			Vacancies at Careers Offices	
	Number	Change since previous month	Aver.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	17.0	0.5	0.2	19.6	0.6
Nov	17.4	0.4	0.5	18.2	0.6
Dec	17.5	0.1	0.3	15.9	0.4
1992 Jan	17.8	0.3	0.3	14.4	0.5
Feb	18.6	0.8	0.4	15.8	0.4
Mar	18.5	-0.1	0.6	16.9	0.6
Apr	19.5	1.0	0.6	20.1	0.5
May	19.7	0.2	0.4	20.7	0.6
Jun	19.2	-0.5	0.2	20.9	0.7
Jul	18.8	-0.7	-0.2	19.1	0.7
Aug	18.7	-0.1	-0.4	18.7	0.5
Sep	18.3	-0.4	-0.4	20.0	0.5
Oct	18.7	0.4	0.0	21.0	0.6
Nov	19.9	1.2	0.4	20.7	0.5
Dec	19.8	-0.1	0.5	18.0	0.4
1993 Jan	19.5	-0.3	0.3	15.9	0.3
Feb	19.5	0.0	-0.1	17.2	0.3
Mar	19.5	0.0	-0.1	18.5	0.5
Apr	18.1	-1.4	-0.5	18.9	0.5
May	17.8	-0.3	-0.6	19.0	0.5
Jun	17.2	-0.6	-0.8	19.0	0.6
Jul	18.0	0.8	0.0	18.2	0.6

Source: Department of Employment Press Notice

Note: Figures from October reflect the revised basis of seasonal adjustment from November 1992

TABLE 4:VACANCY FLOWS AT JOBCENTRES, STANDARDISED, SEASONALLY ADJUSTED -SCOTLAND						
	In-flow		Out-flow		000s 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	23.0	0.9	21.6	0.2	18.0	0.3
Nov	19.9	0.0	19.7	-0.2	15.7	-0.4
Dec	21.2	0.2	20.6	0.2	17.3	0.2
1992 Jan	20.3	-0.9	20.7	-0.3	17.4	-0.2
Feb	20.3	0.1	19.9	-0.1	16.3	0.2
Mar	21.7	0.2	21.9	0.4	18.3	0.3
Apr	21.4	0.4	21.2	0.2	17.7	0.1
May	21.4	0.4	21.3	0.5	17.8	0.5
Jun	22.1	0.1	22.4	0.2	18.3	0.0
Jul	20.1	-0.4	20.6	-0.2	16.7	-0.3
Aug	20.7	-0.3	20.4	-0.4	16.6	-0.4
Sep	21.6	-0.2	21.6	-0.2	17.9	-0.2
Oct	21.5	0.4	20.2	-0.2	16.9	0.1
Nov	21.6	0.3	20.7	0.1	16.9	0.0
Dec	22.4	0.3	22.0	0.1	18.7	0.4
1993 Jan	22.1	0.2	22.8	0.9.	18.8	0.7
Feb	21.9	0.1	21.9	0.4	18.0	0.1
Mar	22.6	0.1	22.7	0.2	18.1	-0.3
Apr	21.5	-0.2	22.6	-0.1	18.2	-0.2
May	21.6	-0.1	23.6	0.6	18.3	0.1
Jun	22.0	-0.2	22.4	-0.1	18.7	0.2
Jul	22.2	0.2	20.9	-0.6	17.8	-0.1

Source: Department of Employment

Note: Figures from October reflect the revised basis of seasonal adjustment from November 1992

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	Ave. change over 6 months ending	Unemp. rate % of working pop.
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
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	177.7	56.2	233.9	2.6	1.4	9.3
May	179.1	56.1	235.2	1.3	1.4	9.3
Jun	180.1	56.4	236.5	1.3	1.4	9.4
Jul	183.0	57.5	240.5	4.6	1.5	9.5
Aug	186.4	57.0	243.4	2.9	1.9	9.6
Sep	186.2	56.4	242.6	-0.8	1.9	9.6
Oct	187.8	56.5	244.3	1.7	1.8	9.6
Nov	189.4	56.6	246.0	1.7	1.9	9.7
Dec	192.3	57.1	249.4	3.4	2.3	9.8
1993 Jan	192.5	57.0	249.5	0.1	1.5	9.8
Feb	190.7	56.9	247.6	-1.9	0.7	9.8
Mar	188.4	56.1	244.5	-3.1	0.3	9.6
Apr	188.4	56.5	244.9	0.4	0.1	9.7
May	188.5	55.8	244.3	-0.6	-0.3	9.6
Jun	189.0	55.5	244.5	0.2	-0.8	9.6
Jul	190.2	56.4	246.6	2.1	-0.5	9.7

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
May	30.4	34.6
Jun	32.9	34.4
Jul	48.9	33.3
Aug	35.4	32.9
Sep	37.1	46.0
Oct	38.7	39.8
Nov	38.2	35.6
Dec	34.0	26.3
1993 Jan	36.4	26.7
Feb	34.1	38.1
Mar	31.3	38.2
Apr	34.9	35.6
May	30.8	36.4
Jun	31.9	35.1
Jul	49.2	34.6

Source: Department of Employment