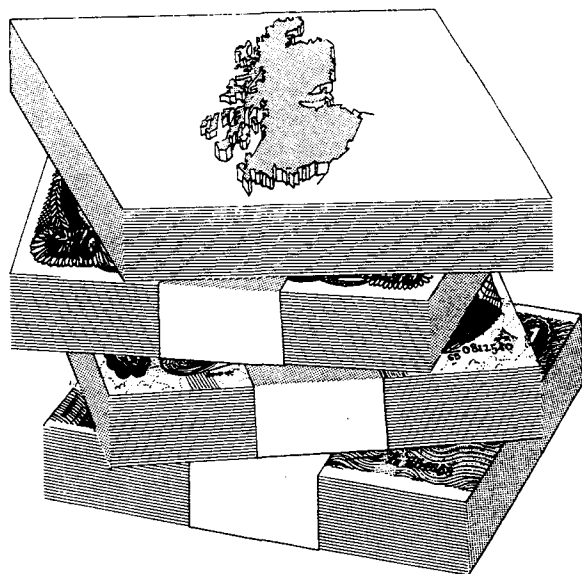


# THE SCOTTISH ECONOMY



## SHORT-TERM FORECASTS\*

The official output indices for production and construction industries have been rebased to 1990 = 100 and grouped into the new 1992 SIC definitions. The latest Scottish Office News Release (9/11/93) revealed substantial revisions to the Scottish indices back to the first quarter 1985. In order to compare the revised data with the previous series, and estimate our output equation, we have rebased the new output index series for Scottish production industries (Groups C, D, E of the 1992 SIC) to 1985 = 100. Some significant changes in the new series are immediately evident:

- 1) The boom in Scottish production industries in late 1989 and early 1990, as recorded in the previous official publications, has now been revised down substantially (by 3 to 4 percentage points). As a result, the extent of the subsequent recession was much weaker (the output of Scottish production industries was down by 0.6%, compared with a fall of 2.2% as recorded previously).
- 2) Instead of a quarterly growth of 1.9% in

Scottish production industries in the first quarter 1993 as recorded in the previous Scottish Office News Release, this has now been revised down to a fall of 1.1%. However, the surge in Scottish production output in the final quarter last year is still evident.

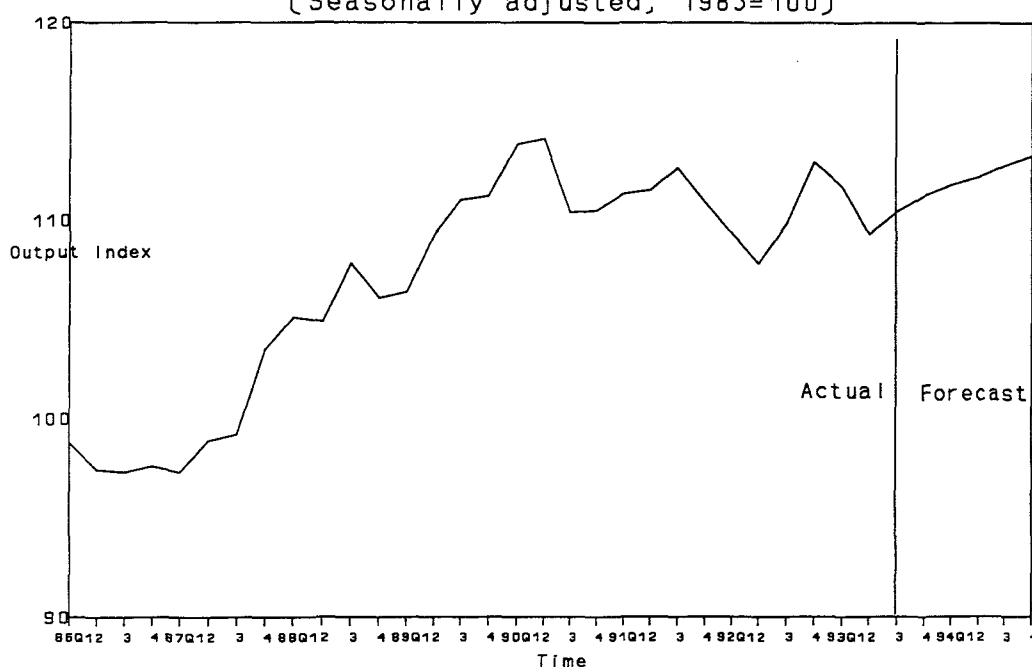
TABLE 1 % CHANGE IN INDEX OF PRODUCTION (SIC DIVS. 1-4)

1991/90	-0.6
1992/91	-1.5
91Q4/90Q4	0.4
92Q4/91Q4	1.8
93Q1/92Q4	-1.1
93Q2/93Q1	-2.1
Forecast	
93Q3/93Q2	1.0
93Q4/93Q3	0.7
94Q1/93Q4	0.5
94Q2/94Q1	0.4
94Q3/94Q2	0.5
94Q4/94Q3	0.4
93Q4/92Q4	-1.5
94Q4/93Q44	1.8
1993/92	0.7
1994/93	1.6

The new series also reported a further fall in Scottish output of 2.1% in the second quarter of this year. In contrast to these consecutive falls in Scottish output, UK production output, as a whole, has enjoyed a modest growth trend in the first part of this year. It is now clear that contrary to the previous official reports and the optimism expressed

\* 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)



by the corresponding firms in the previous Scottish Business Surveys, the surge in output in the fourth quarter last year petered out and fell heavily in the first part of this year. In view of the latest official data revision and information contained in the Scottish Business Survey for the third quarter this year, our previous forecast of a 2.9% growth in Scottish production output cannot now be maintained.

The present forecasting period extends to 1994Q4. Figure 1 shows the actual index series from 1986Q1 to 1993Q2 and the forecasts for 1993Q3 to 1994Q4. As is clear from the figure, the output of Scottish production industries is expected to make a slow recovery in the second part of this year and follow a steady growth path in the next year. For 1993 as a whole, the output of Scottish production industries is predicted to rise by around 0.7% over 1992. Further details of growth rates for Scottish production outputs are presented in Table 1.

The new official data and the latest Business Survey heightens our concern that at the moment, there is a divergence in the relative performance of the Scottish and UK production industries. Given the National Institute's forecast of less than 1%

quarterly growth rates in the UK industries in the second part of this year, and considering that if the Scottish industries were to grow at 1% over 1993 as a whole it would require the Scottish industries to out-perform the UK industries by around 30% in the second part of this year, we predict that the growth rate for Scottish production industries in 1993 is likely to fall within the range of 0.7% to 1%.

#### SCOTTISH CHAMBERS' BUSINESS SURVEY: THIRD QUARTER 1993

The SCBS, which is conducted by Strathclyde University's Fraser of Allander Institute together with the Chambers of Commerce of Aberdeen, Central, Dundee, Edinburgh, Fife and Glasgow, is the most comprehensive regular survey of business, employment and other issues affecting the Scottish business community. In the present survey, which was conducted during September, 1034 firms responded to the questionnaire. The main conclusions from the latest SCBS are discussed below.

## **Business Confidence**

In Manufacturing, business confidence continued to rise, although at a somewhat slower rate than in the previous quarter. A net balance of 13% of respondents reported that they were more optimistic than three months previously, compared with a net balance of 18% who were more optimistic in the second quarter. In the third quarter, Manufacturing respondents were also more optimistic than they were in the same period a year ago, with a net balance of 28% of respondents reporting higher optimism. This compares with the situation in the second quarter where a balance of 25% of respondents were more optimistic than in the same period a year earlier.

In Construction, optimism continues to rise with a net balance of 7% of respondents reporting that they were more optimistic than in the previous quarter. This compares with the small 1% balance of respondents who were more optimistic in the second quarter over the first quarter. A net balance of 15% of respondents reported that they were more optimistic than they were a year ago, an improvement of 8 percentage points on the response in the second quarter.

In Distribution, confidence also continues to rise, at much the same rate as in the second quarter. In Retailing, a net balance of 11% of respondents were more optimistic about the general business situation than they were in the second quarter. In Wholesaling, a net balance of 6% reported that they were more optimistic. This can be compared with positive net balances of 10% and 8%, respectively in the previous quarter. Both retailers and wholesalers were more confident in the third quarter than in the same period a year ago, with net balances of 35% and 17%, respectively, being reported.

Optimism among respondents from the Tourism and Leisure sector continues to rise, although at a slightly lower rate than in the second quarter. A net balance of 23% of respondents reported that they were more optimistic about the general business situation than they were three months earlier, compared with a balance of 28% in the second quarter. A net balance of 33% of respondents were more optimistic in the third quarter than in the same period of 1992.

## **Orders and Sales**

In Manufacturing, orders and sales continue to rise,

although there was a slight turn down in domestic Scottish orders in the third quarter. For orders, a net balance of 10% of respondents reported and increase while, for sales, a balance of 16% of firms experienced a rise. These figures compare with positive balances of 13% and 8%, respectively, in the second quarter. The domestic Scottish market appears to be somewhat less buoyant than rest of UK and export markets.

In Construction, orders now appear to be rising again after the apparent 'false dawn' in the first quarter. A net balance of 8% reported an increase in orders compared with the balance of 6% of respondents who reported a decline in the second quarter. Orders from Central Government and other Public Sector continue to be the most depressed.

Retail sales appear to be rising strongly. A net balance of 25% of retailers reported that sales had risen, compared with a balance of 20% reporting a rise in sales in the previous quarter. In Wholesaling, sales are also rising at a faster rate than in the second quarter. A net balance of 13% of respondents reported a rise in sales, compared with a balance of 4% reporting a rise in sales in the last survey.

Tourism demand also continues to rise. A net balance of 34% of companies reported an increase compared with the balance of 16% reporting a rise in the three months to June. The biggest improvement in demand appears to have come from the rest of UK market, with the growth in demand from abroad slightly down on the previous quarter.

## **Stock Adjustments**

Stocks of finished goods and raw materials in Manufacturing continue to be run down with net balances of 10% and 16%, respectively, reporting a decline. This run down is expected to continue in the fourth quarter. There was no change in work in progress after the reported increase in the second quarter. A small net balance of respondents (4%) expect a contraction of work in progress in the fourth quarter.

## **Finance and Investment**

In the Financial sector, there was continuing growth in the demand for personal loans. A net balance of 37% of respondents reported a rise, compared with a balance of 50% reporting a rise in the previous quarter. Advances to the corporate sector continue to increase, while the demand for working capital

continues to rise. The demand for finance for investment in buildings continues to fall. However, the demand for finance for investment in plant and equipment appears to be rising (positive balance of 4%) for the first time since this survey was revised in the third quarter of 1990.

Manufacturing investment intentions in plant and machinery were revised upwards in the present quarter and respondents expect to revise them up further in the fourth quarter. There was a further deterioration in manufacturers' investment intentions in land and buildings, with a net balance of 5% of respondents reporting a decline. Expectations are for a further reduction in such intentions in the fourth quarter. In Retailing and Wholesaling, investment intentions continue to be positive. Net balances of 21% and 14% of retail and wholesale respondents, respectively, reported an upward revision in investment intentions compared to the same period a year ago. The investment intentions of Construction respondents continue to decline.

## **Expectations**

Expectations for the fourth quarter 1993 are generally for a further improvement in demand conditions. However, while demand is expected to rise in all principal sectors and in all major markets, with the exception of tourism demand from abroad, there appears to be some uncertainty about the future course of demand. Only the manufacturing sector expects demand to grow more quickly in the fourth quarter compared with the third quarter. Wholesale respondents expect fourth quarter demand to grow at much the same rate as in the present quarter, while respondents in Construction, Tourism, and Retail sectors expect the rate of demand growth to be lower than between July and September.

## **PRIMARY**

### **FISHING**

In the first seven months of 1993, the total value of landings of fish by UK vessels in Scotland was £148,182,000, 2% higher than the figure for the corresponding period of 1992. The volumes of landings for the major classifications of pelagic fish and shellfish were lower than for the same period in 1992. However, the price realised for both these species rose, resulting in the value of landings for pelagic species and shellfish increasing by 8% and

5% respectively. The position for demersal fish, the only major species where the weight of landings increased over 1992, was that there was no change in the value of landings as there was an offsetting reduction in price.

Amongst individual species, haddock and cod are the most important by value. However, there was a 13% price reduction for haddock and a 15% price reduction for cod. 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 7% to £24,644,000, whilst the value of haddock landings only increased by 7% to 27,774,000. For other demersal species the value of landings of saithe fell by 36%, partly due to a 12% reduction in prices, partly the 28% fall in the 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 6% increase in the value of landings for that species to £10,114,000. Herring landings increased 20% by weight which, together with a small increase in price, led to a 22% increase by value to £2,027,000.

In the case of shellfish, Norway lobsters are the most important species by value and the largest absolute increase in the value of landings over this time period was experienced for this species. This was a rise of £2,334,000 (12%) to £21,184 caused primarily by a 10% increase in price. Very large proportionate value changes were found in pink shrimps and queen scallops, but both from a small initial base. The largest absolute fall in the value of landings for a shellfish species was for scallops where the value decreased by 16% to £4,215,000 primarily as a result of the fall in the weight of the landings.

Whilst the value of landings by UK vessels increased by 2%, that of foreign vessels rose by 48%, so that the value of total landings (UK and foreign boats) in Scotland increased by 4% and the total weight of landings was up by 2%. Landings by foreign vessels now make up 14% by weight and 8% by value of total landings in Scotland.

### **CONSTRUCTION**

As the Department of the Environment have not yet re-based their construction figures it has been

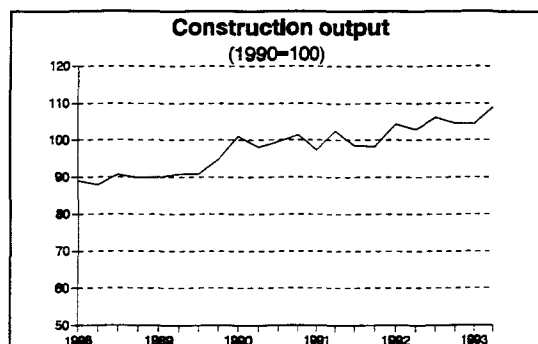
**FIGURE 1 FISH LANDINGS IN SCOTLAND; JANUARY TO JUNE 1993 - COMPARED WITH JANUARY TO JUNE 1992**

Landings by UK vessels	JAN TO JUL 1993			93 AS PER CENT OF 92		
	Weight Tonnes	Value £000s	Price £/T	Weight %	Value %	Price %
Demersal	108,669	102,107	940	103	100	97
Pelagic	94,933	12,469	131	98	108	109
Shellfish	23,488	33,607	1,431	96	105	109
Cod	22,492	24,644	1,096	109	93	85
Haddock	36,328	27,774	765	123	107	87
Whiting	19,808	11,965	604	100	111	111
Saithe	4,833	2,118	438	72	64	88
Dover Sole	27	97	3,593	117	126	107
Hake	1,124	1,942	1,728	85	92	108
Lemon Sole	1,526	3,120	2,045	98	109	110
Ling	2,678	1,945	726	125	106	85
Megrim	1,677	2,921	1,742	113	121	107
Monks	5,923	14,501	2,448	107	107	100
Plaice	3,568	3,538	992	82	87	106
Skate	1,495	1,177	787	86	99	115
Sandeels	1,508	62	41	39	36	92
Dogfish Spur	2,017	2,153	1,067	69	112	163
Witches	968	1,212	1,252	93	92	99
Mackerel	74,916	10,114	135	99	106	107
Herring	17,061	2,027	119	120	122	101
Brown Crabs	2,003	1,967	982	94	89	94
Green Crabs	164	99	604	88	104	118
Velvet Crabs	913	1,634	1,779	109	101	93
Lobsters	120	1,200	10,000	81	90	111
Pink Shrimps	508	477	939	591	672	114
Squid	231	326	1,411	98	98	100
Scallops	2,744	4,215	1,536	89	84	94
Norway Lobsters	10,763	21,184	1,968	102	112	110
Queen Scallops	3,165	1,170	370	152	151	99
Periwinkles	933	566	607	94	99	105
Total by UK vessels	227,090	148,182	653	100	102	101
Landings by foreign vessels	36,690	12,948	353	113	148	131
Total Landings in Scotland	263,780	161,130	611	102	104	102

necessary for the Scottish Office to manually attempt to re-base the Department of Environment's Scottish construction figures to 1990. This gives a second quarter 1993 figure of 109.0 which is

4.5% up on the first quarter and comparing the latest four quarters with the previous four shows an increase of 5.0%.

In view of the inevitable subsequent revision to these figures it would be unwise to put too much weight on the sizeable increases which they depict however the notion of an upturn in the construction industry is backed up by some recent survey evidence.



The latest Scottish Chambers' Business Survey for the third quarter 1993 shows an increase in optimism on the previous quarter of 7%, with a net 15% of respondents more optimistic than they were a year ago. This level of optimism is however far below the level expressed in the first quarter 1993.

The main reason for the increase in optimism is due to the positive net balances of total orders which are up for a net 8% of respondents. This apparent buoyancy is due to increasing private orders as the trend in government orders continues to fall (for a net 41% of respondents), along with the trend in other public sector orders (down for a net 21%). Almost a third of respondents reported an increase in private orders. Government orders were worse than expected and this is reflected in expectations for the fourth quarter with nearly 45% of respondents expecting government orders to continue to fall.

An overwhelming 70% of respondents cite lack of orders as the foremost limiting fact to output in the next quarter.

This fact is reflected in the continued downward trend of investment intentions in both plant and equipment and new buildings. Cost savings through increasing efficiency and upgrading/replacement of capital goods are the major reasons for investment during the third quarter.

Whilst work in progress is up for approximately 10% of respondents, employment continues to fall although at a reduced rate. Capacity utilisation is

at 72% only marginally down on the previous quarter. Only a quarter of respondents increased wages and salaries during the third quarter with the average increase being only 1.7% compared with 3.5% in the previous quarter.

Other recent surveys show conflicting evidence; with the National Council of Building Material Producers sharing the optimism of the SCBS, but pinning their hopes on a benevolent budget with no changes in planned public sector current expenditure. This is contradictory to the opinion expressed by SCBS respondents who foresee a continued decline in public sector orders.

On the other hand the Royal Institution of Chartered Surveyors forecast a further reduction in construction industry jobs of 110,000 (UK wide), citing lack of confidence as the reason, with proposed new building not getting past the feasibility stage. The RICS most recent statistics show that despite promising beginnings to 1993 their workload is continuing to fall.

The Scottish Construction Industry Group temper their optimism with the fact that the relative prosperity of Scotland's construction industry indices is because the speed of the decline in the south accentuates the performance of Scotland.

House prices are slowly recovering and the new build market is beginning to free, however repossessions are still high as indicated by the proposed public auction to be held in Glasgow in the spring of next year. These auctions are increasingly common south of the border, as financial institutions seek to dispose of repossessed properties and have a lot to commend them. Everything is out in the open in an auction, which cannot be said of the present system.

In the commercial and industrial side, the business park bubble may be about to burst. For the past few years, business parks have been the bright spot in this sector, but now, with an estimated 7 million square feet of business space proposed within a 30 mile drive of Glasgow, there is going to be massive over supply. In terms of office space this will provide a severe blow to city centre developments as rental prices are forced down. Indeed there have been cases of town houses which were converted to offices in the 50s and 60s being re-converted to private dwellings. Even within the light industrial sector the profusion of business parks is driving rental prices down and increasing competition.

It may well be considered fortunate that the Scottish business park market has remained in check due to the recession as the lessons are now being learned from the over development of business parks down south, thus allowing a more rationalised approach to be followed here, with only the best developments proceeding. These will hopefully not be in conflict with existing town and city centres but enjoy a more symbiotic relationship.

## ENERGY

### OIL AND GAS

The Royal Bank/Radio Scotland oil index for September was 122.5 (1980 = 100), representing an average daily output of 2.02 mb. This was some 40,000 bpd less than had been produced in August, with the fall being attributed primarily to field closures for planned maintenance work. The average dollar price of oil in September was \$16.01 pb, the lowest value since June 1990. With sterling strengthening against the dollar, the average sterling price fell to £10.50 pb. Overall, the average daily value of oil production was £20.1 million, a fall of £1.3 million per day compared with August.

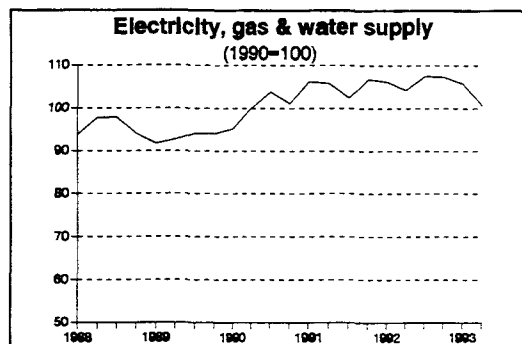
The Royal Bank gas index for September was 132.2 (1990), which represents an output of 4493 million cubic feet per day (mcfpd). The Bank's series shows a strong seasonal pattern to gas production, with output rising steadily during the Autumn to a December/January peak level some two and a half times greater than the summer minimum. However, the Bank's economists estimate that seasonally adjusted gas production also rose for the fourteenth successive month. The average daily value of gas output was approximately £8 million.

Preliminary figures released by the DTI indicate that 26 exploration and appraisal wells were drilled on the UKCS in the third quarter of 1993, an increase of 8.3% compared with the equivalent period a year earlier. 39 development wells were drilled in Q3 1993, 5 fewer than in Q3 1992.

DTI statistics indicate that the total income from UKCS oil and gas in Q2 1993 was £2.71 billion, and the sector accounted for 1.3% of UK Gross Domestic Product. In the same quarter, oil/gas capital investment expenditure was £1.45 billion, representing a substantial 21% of total UK industrial investment during the period.

### COAL, ELECTRICITY AND WATER

The electricity, gas and water sector in Scotland showed another drop in seasonally-adjusted output in the second quarter of this year down 4.9% (following a 1.4% fall in the previous quarter). The overall picture was however more positive with a 0.4% increase in the year on year figures. The UK position was more buoyant with a 2.2% rise on the last quarter and year on year on year increase of 2.4%.



The coal industry faces a year of uncertainty with the government yet to reveal the details of its plans to privatise British Coal. It is likely to press ahead with its plans for a sell-off by 1995. It has indicated that it is pessimistic about saving any of the pits earmarked for closure a year ago. The government has however ruled out closing a large number of pits. Twenty-one have been closed since March and thirty remain open although further pits not previously targeted may have to go as industry analysts predict the market can sustain fewer than twelve. It is likely that British Coal will be split into five regional areas including Scotland, although it will be later next year before details of what pits are to be sold and at what prices is announced.

Industry performance has been dogged by a strong performance from the nuclear sector in a stagnant market and an acceleration in gas-fired generation caused by the opening of new, independently owned gas-fired power stations. It also seems unlikely that the electricity generators will take more coal this year than they have already contracted to as they have stockpiled 36m tonnes and British Coal has stockpiles of 14m. Unions have been pressing the government to impose a more balanced energy policy to tackle the problem of the rigged market in electricity against coal producers.

In Scotland the coal industry has suffered a setback with the failure of the worker-owned Monktonhall pit unable to stay afloat and facing takeover. RJB Mining of Doncaster made a bid earlier this quarter to takeover the pit and provide the capital desperately needed to make it profitable. Unable to break-even since it opened despite having contracts for its output the pit has been searching for trading partners for a number of months. Consultants Quayle Munro estimated the required investment at £3m to purchase new equipment and to open a new coal face vital for survival. There is however much resentment among mineworkers. Many who borrowed the £10,000 required for the initial investment are likely to see only £1000 of this. Although they may be eligible for tax savings of around £2,250 and potential production bonuses of £4000, those who borrowed to invest face repayment of their debt plus substantial interest repayments. For those accepting voluntary severance of around £3000 the position is even less favourable. The investment would also involve a debt write-off of £1.8m by the Royal Bank of Scotland. The current workforce is likely to be retained and the investment would allow current capacity to be expanded and allow production at more competitive prices. Questions have arisen about why government financial assistance was not more forthcoming particularly since the government is now offering financial assistance to potential employee buy-outs under the proposed privatisation bill.

The immediate future of Longannet deep mine in Fife however is somewhat more certain since Scottish Power has signed a new agreement to take 2m tonnes of coal from British Coal for the next five years. This replaces the five year deal due to expire in March 1995. The new deal means a £10m saving on Scottish Powers' fuel costs in its first year. It also offers greater security and higher sales for Longannet. It comes however at the cost of lower prices and possible further reductions over the duration of the contract.

The electricity sector also faces a year of turmoil with the first stage of deregulation coming into force on the first of April 1994. This will allow around 45,000 large users (those using more than 100kw over three months) of electricity to shop around for the best deal from suppliers rather than use their regional supplier. A number of options are open to them including buying supplies direct from wholesalers, staying with local companies or purchasing a contract from power companies other than local monopoly distributors. This could

perceivably mean cost savings of up to 10% for users. Some power companies have been offering discounts in exchange for long-term contracts although it has been suggested these are anti-competitive.

In the last quarter power generators in Scotland have consolidated their position. Scottish Power showed a 14% increase in pre-tax profits to £97m and a reduction in gearing to 12%. The company has just entered into an agreement with Japanese utility company Kyushi Electric Power Company (KEPCO) allowing exchanges of information on management and technology with a view to possible future joint ventures. Hydro-Electric meanwhile has recently negotiated a deal with the Sullom Voe oil terminal to buy surplus power to supply its customers in Shetland. Negotiations have been protracted and technical problems considerable building the connection to the Shetland distribution system. It is hoped the deal will allow Hydro-Electric to sustain uniform electricity charges throughout the region. Hydro-Electric has also recently diversified into gas through a joint venture with Marathon Gas to supply industrial and commercial users. The deal allows Hydro-Electric to supply both gas and electricity under their name offering their customers a complete service. The contribution to profit is likely to be limited to around £2m. Scottish Power is also about to enter a similar agreement with Utilicorp.

From next April VAT will be charged on fuel bills at 8% rising to 17.5% in 1995. The electricity generators and gas suppliers are likely to face some pressure to offset the increase in bills with a reduction in standing charges. Scottish Power presently has the lowest charge of the sixteen power generators although the charge itself has increased 70% in the last three years since privatisation.

The recently published Scottish Energy Study has made a comprehensive list of recommendations regarding measures government, industry and businesses should take to reduce energy consumption. These include financial incentives to firms to cut their fuel consumption; increased support for development of alternative energy sources such as wind power; government investment in the insulation of sub-standard housing; encouraged use of public transport by consumers; relaxation of financial limitations on borrowing by councils to fund small-scale heat/power schemes designed to increase the efficiency of power stations. One such alternative energy scheme is that presently proposed by the



Grampian Wind Power consortium hoping to erect a site near Aberdeen supplying around fifty homes in the area. This has been made feasible by Scottish Office subsidies for renewable energy and their insistence that the Scottish electricity suppliers buy 1% of their power from renewable energy sources. It is hoped that expansion will allow presently high prices of renewable energy to fall making them more competitive.

The government has recently set up an energy panel to advise ministers on issues such as the privatisation of British Coal, the British Gas monopoly inquiry and the review of the nuclear industry. In the long-term it is to consider environmental questions, the structure of the electricity industry and whether and how the UK could have a more hands on energy policy.

The outlook for the nuclear industry is mixed. Forecasts are that with sustained growth the sector could provide almost 17% of the world's electricity. However growth is likely to be over the long-term as nuclear power stations take considerably longer to build than gas or coal-fired and, as reported last quarter, there is still much public concern about safety. This is causing investors to be wary. The main problem facing the UK industry is the question of waste disposal, its safety and cost. It is likely that the whole industry will suffer if the proposed Thorp waste- reprocessing plant does not go ahead. Scottish Nuclear has announced an option for dry storage for some of its waste although it recognises this is just a partial solution to a substantial problem.

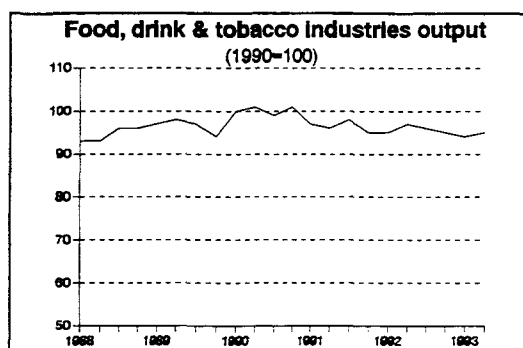
In the water industry the introduction of optional water metering has been met with widespread apathy. Regional councils who were obliged to promote the metering scheme have reported a negligible response from householders. There has been considerable negative publicity in England and Wales with some households facing bills under metering three times higher than previously. Scotland's charges are, on the whole, lower than in England and Wales although the calculated benefits of metering may be beneficial to single householders, new houses and those in higher council tax rated houses.

## MANUFACTURING

### FOOD, DRINK AND TOBACCO

The Index of Production for Food, Drink and

Tobacco (FDT) sector in Scotland showed only a very marginal change over the second quarter of 1993, rising by only 1%, although this is a slightly better performance than the industry across the UK where output fell by 1%. Neither of these changes is very dramatic and both could be due to minor seasonal variations or indeed to sampling error. Standing at 95 (1990=100) the Index is now some 5% below its peak level of 1990.

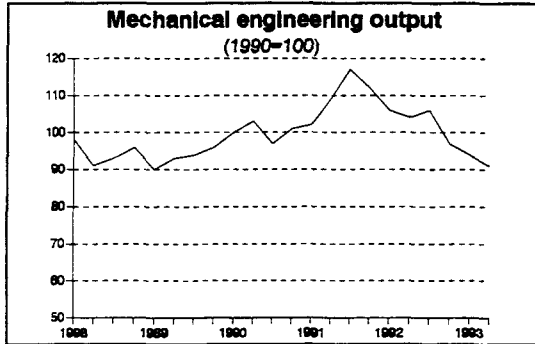


The Scottish Chambers Business Survey (SCBS) results for October of this year also show a similar static picture. 70% of respondents to the October survey reported no change in the degree of optimism which they felt regarding the industry's prospects compared with three months ago, although 39% reported feeling more confident than at this time last year. The majority of respondents, 56%, reported no change in new orders and those reporting an increase, 22%, equalled the number reporting a decrease. Capacity utilisation is low at 73%. One bright spot does emerge from the SCBS, in that while 74% of firms continue to cite lack of orders as the factor most likely to constrain output over the next three months, this is a considerable reduction on the figure of 100% recorded by the July survey. Overall, however, the sectors performance clearly remains extremely sluggish.

## MECHANICAL ENGINEERING

Our reservation made in the last issue of the Commentary about the official report of a substantial reduction in the Scottish mechanical engineering output in the first quarter of this year has been confirmed by the latest official data release. The fall was revised down from 8.2% to 3.1%. However, after revisions, the fall in output in the fourth quarter last year was even more dramatic (from -7.6% to -8.5%). What is more depressing is that these falls are followed by a further reduction of 3.2% in output in the second quarter this year. In

contrast, the UK mechanical engineering industry as a whole only suffered a small reduction in output in the first quarter, but made a modest recovery (1%) in the second quarter this year. The divergence between the performances by the Scottish mechanical engineering industry and that of the UK as a whole is a matter for concern.



Despite these recent consecutive reductions in output, business confidence in this sector remains rather defiantly sanguine, as is evident in the Scottish Business Survey for the third quarter this year. More firms expressed optimism about the general business situation than in the previous survey, and a net 13.7% of firms were more optimistic than they had been in the same period one year ago. However, in terms of new orders and sales, the signs were mixed. More firms reported decreases in the total volume of new orders and sales in the third quarter than the previous quarter. This can almost entirely be attributed to the still deeply depressed Scottish and UK domestic markets, although the growth in export sales and orders also halted in the third quarter. Over the next quarter, sales to and orders from the domestic markets are still weak, but export sales and orders are expected to grow again. Therefore, to a large extent, the revival of the industry still hinges on the growth of the world economy.

There was hardly any change to the trend of running down stocks of finished goods, work in progress and raw materials, and such a trend is expected to persist in the final quarter. The firms' capacity utilisation rate also remained almost unchanged at 74.9%. When compared with the capacity utilisation rate a year ago, the current rate is reported to be higher in a net 8.3% of firms.

However, investment intentions suffered a setback in the third quarter, especially for investment in land and buildings. For those firms which

authorised new investment during the third quarter, the main reasons for committing investment were: replacement (38.1%), increasing efficiency (35.7%), expanding capacity (11.9%), and introducing new technology (11.1%). When compared with the results shown in the previous survey, it is clear that less firms were prepared to commit new projects. This is perhaps not surprising as a large majority of the corresponding firms (82.4%) regarded orders or sales as the most important output-limiting factor. New orders and sales were disappointing in the third quarter and the outlook remains rather weak in the coming quarter.

On the job front, bad news came out for the third quarter. Job cuts were reported by considerably more firms than in the previous survey. The cuts were concentrated on full-time employment, both male and female. Less firms attempted to recruit staff in the third quarter than in the previous quarter, and very few firms experienced any problem in retaining employees in particular occupation. The employment prospect in this industry remains bleak in the near future, despite the continuing restraint on wages and salaries.

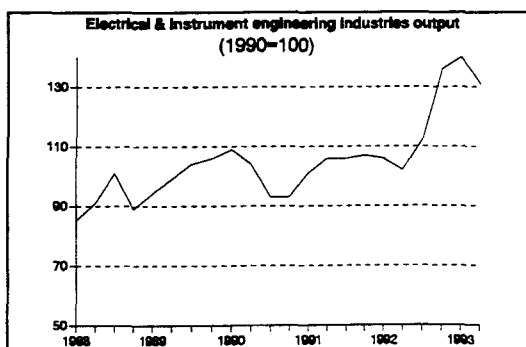
The evidence suggests that, despite the optimism about the general business situation, this industry is staggering out of the recession.

## ELECTRONICS

Recent issues of this Commentary have commented extensively on the behaviour of Index of Production figures released by the Scottish Office. These continue to be heavily revised with each subsequent issue so that the 30% increase recorded in the final quarter of last year, later revised to 33%, now shows a change of only 24%, while the 8% increase recorded in the final quarter has been revised to 4%. Bearing this in mind, we feel that the 6% drop shown for the most recent time period, the second quarter of this year, should be treated with some caution, particularly as the sector across the UK shows a 2% increase over the same period. Partly reflecting the above, the Index (now rebased to 1990) shows a 23% increase over the year to the second quarter.

A more up to date guide to the sector's recent performance is provided by the results from the Scottish Chambers Business Survey (SCBS) for October, which does appear to show some upturn in the industry's recent fortunes. 43% of SCBS respondents reported an increased trend in sales in the three months to October, with the strongest

growth occurring in export markets. 39% of firms had also seen a fall in their stock of finished goods. Capacity utilisation is still fairly low, however, at only 78% (although 42% reported that capacity utilisation had increased compared with the same period a year previously). Additionally, only 37% reported an increase in new orders and 72% continue to feel that a lack of new orders is the factor which is most likely to limit output in the short term. Other factors are considered much less likely. Only 4%, for example, feel that a lack of skilled labour is likely to act as a constraint. There are therefore some grounds for a belief that the upturn in sales noted above may be temporary and new inward investments are likely to be the best hope for increased employment in the short term. This is further confirmed by SCBS figures on investment in the three months to October. Only 9% of those who had made an investment had done so in order to expand capacity, while 34% had invested in order to increase efficiency.



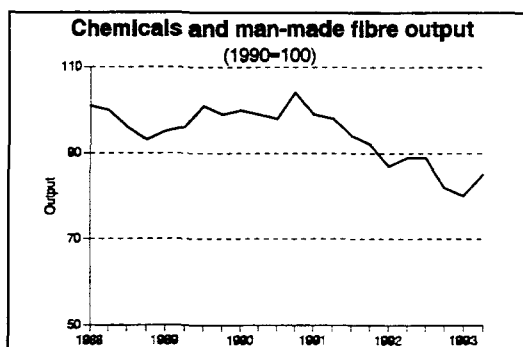
## CHEMICALS

Contrary to Scottish industry as a whole there appears to be some improvement in the Chemicals and man made fibre sector of the economy. The latest Index of Production and Construction shows a 7% rise in the second quarter of 1993 compared to the first quarter of 1993. However the measure of production in the latest four quarters compared to the previous four quarters records a fall of 7%.

There was evidence of an increase in the Chambers of Commerce survey where a net balance of +22% respondents were more optimistic than in the previous quarter. Year on year optimism is even higher with a net balance of +59%.

The high level of optimism is undoubtedly fuelled by the increase in total new orders which exceeded, by far, the expectations of the previous quarter.

There has been a general increase in total UK orders. However the major part of the increase is accounted for by export orders with a net of +65% of respondents noting an increase in export orders. The trend in sales was just as strong, as with total new orders a net of +35% noted an increase in the volume of sales. The composition of sales was similar to that of orders the majority of which went to foreign markets.



Expectations for the current quarter continue to be positive with a net of +39 expected for new orders and sales with demand from abroad expected to continue to exceed domestic demand, for which the trend is expected to strengthen. 86% of Chemical respondents note that the factor most likely to constrain output in the current quarter will be a lack of orders/sales.

Firms continued to cut back on stocks of finished goods and raw materials ( a net of -24 and -25 respectively). This trend is expected to continue for raw materials but should not be as strong.

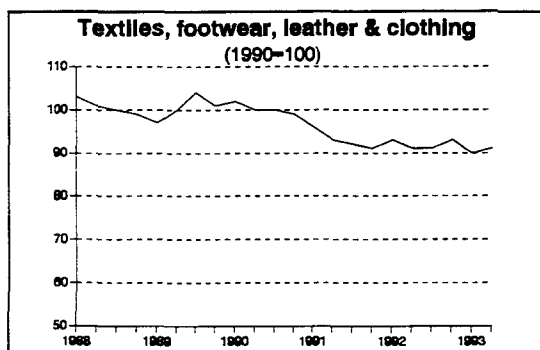
The downward trend in employment continued albeit at a slower rate than the previous quarter. However though there was a net of firms reducing the numbers employed there was a net balance of zero for male employment and a positive net balance for females in temporary and sub contracting positions. 61% of respondents attempted to recruit with none experiencing increased recruitment difficulties. Those respondents that did have difficulty in recruiting found it limited to professional/managerial, skilled manual/manual and temporary staff. Expectations are for a further fall in employment in the future with employment cuts mainly aimed at male employees. There was no increase in recruitment difficulties and those firms that did have problems filling positions found difficulties confined to professional/managerial, skilled manual/manual and temporary staff. None of

the respondents had difficulty in retaining employees.

The increase in sales is evident in an industry that is expanding rapidly. Orthodox medicine is beginning to realise the benefits that nutritional supplements can have in protecting against a variety of disorders from heart disease to eczema. A US-Chinese study published in September of 30,000 people in rural China found a 13% reduction in cancer deaths among those who took anti-oxidant supplements over five years. Statistics for the UK alone, based on figures from manufacturers and market research companies show sales of health supplements up 12.5% last year to £215 million.

### TEXTILES, FOOTWEAR, LEATHER AND CLOTHING

The index of production for the second quarter of this year for Textiles, Footwear, Leather and Clothing (TFLC) shows a very modest increase of 1% over the previous quarter, indicating little overall change in activity in this sector (which did, however, outperform the average for all industry in Scotland where output fell by 0.6%). The industry across the UK showed a similar degree of sluggishness with output also increasing by 1%. Production in TFLC in Scotland is now some 13% below the peak level of 104 (1990=100) achieved in the third quarter of 1989.

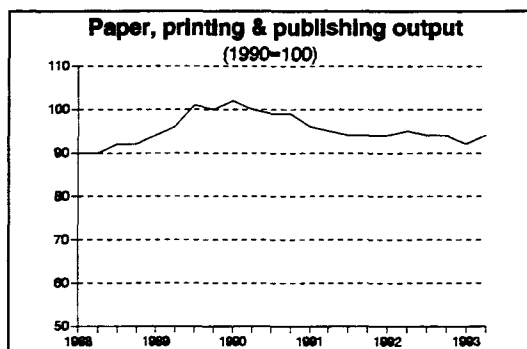


The more up to date results from the Scottish Chambers Business Survey (SCBS) for October of this year do, however, show a slightly more encouraging situation. 54% of survey respondents reported an increased trend in sales (although only 41% reported an increase in new orders) with most new sales coming from exports and sales to the rest of the UK. In addition, 46% expect this increased trend in sales to continue, at least in the short term. Average capacity utilisation across the sample was

high at 86%, and 40% reported that capacity utilisation up on the same period in the previous year (utilisation was at the same level as the previous year for 46% of respondents). There was also a very positive balance of optimism, with 62% reporting feeling more optimistic than at the same time in 1992. However, 56% of companies continue to cite new orders as the factor most likely to restrain output in the short term, although this is a slight reduction on the 59% figure reported in the last survey. The number who cite a lack of skilled labour as the most likely restraining factor is also slightly up from the figure, 18%, recorded in the July survey.

### PAPER, PRINTING AND PUBLISHING

Figures from the latest Index of Production and Construction for the second quarter of 1993 indicate a 2% growth in the Paper, Printing and Publishing industries since the first quarter. Annualised growth, figures for the latest 4 quarters, compared with the preceding 4 shows growth of -1%.



The latest issue of the Scottish Chambers Business Survey, analysing trends in the third quarter of 1993, indicates that business confidence in the Paper, Printing and Publishing industries is on the increase, with a net 13% of firms questioned feeling more optimistic about levels of business activity, than in the previous quarter. There is an upward trend in the volume of new orders for a net 3% of firms. Although there has been no change in the volume of new Scottish orders, orders from the rest of the UK have risen for a net 18% of firms. However, performance in overseas trade was less promising, with a net 11% of firms experiencing a decrease in new export orders. There is an expected upward trend in the volume of new Scottish orders, with a net 21% of firms expecting a higher volume of new sales in the next quarter. No improvement is expected in new export sales in the next 3 months.

Investment intentions in plant and equipment have been revised upwards for a net 24% of firms with further increases in investment expected in the next quarter. No sustainable recovery in levels of employment appears imminent in the Paper, Printing and Publishing industries. A net 3% of firms noted an increase in their levels of employment in the third quarter. However, a net 20% of firms expect their levels of employment to decrease in the next quarter. 41% of firms have attempted to recruit staff in the third quarter, with a net 13% of firms expressing a difficulty in recruiting technical staff. Levels of staff turnover appear to be low with only 2.6% of firms questioned claiming any problems in retaining employees.

## **SERVICES**

### **DISTRIBUTIVE TRADES**

Evidence from the latest Scottish Chambers' Business survey showed optimism remaining positive (a net of 6%) among wholesale firms but not as high, on balance as the previous quarter however firms are still more optimistic than they were a year ago. Retail respondents remained relatively optimistic, a net balance of +11% are more optimistic about the business situation than three months ago and a net balance of 35% are more optimistic than a year ago.

The positive trends in wholesale sales and expected sales were still rising reversing, the negative trend that has been evident since the third quarter of 1991. The trend in retail sales continued to be positive with a net balance of +25% reporting an increase in sales, and in none of the chambers did respondents experience a negative sales trend. The biggest constraint to retail sales over the three months to the end of December is expected to be insufficient floor space, however credit facilities are also expected to restrict sales.

The supermarket group, J S Sainsbury (the UK's biggest food retailers) announced record interim profits of £434m. The announcement coincided with the launch of price cutting exercise. The move indicates a shift in the UK retailing away from concentration on profit margins towards offering lower prices to drive volumes higher. Shares in the food retailing sector dropped sharply with brokers fearing escalating price competition would damage profit. Large food retailers are responding to increased competition from food discount chains.

## **TOURISM**

The most important demand monitoring statistics for tourism in Scotland are derived from a UK-wide household survey funded by the various national tourist boards, and the Department of National Heritage -sponsored International passenger Survey. The findings from these surveys do not become available until some six months after the end of the year in question. Pending publication by STB of a full analysis of these 1993 figures we have questioned a selection of Area Tourist Board Directors about the 1993 season. ATB's have access to the results of continuing accommodation occupancy surveys and they also monitor traffic through their Tourist Information Centres in terms of postal and telephone enquiries, personal callers, local bookings and both incoming and outgoing Book-a-Bed-Ahead requests.

The general response to our question about volume of business is that it has been a mixed year but that overall business has held up quite well.

The Loch Lomond, Stirling and Trossachs Board undertakes an annual survey of 25% of its trade members. This year's survey shows that of the 332 trade members interviewed 37% stated they had a better season than last year, 23% had a similar season and 34% a poorer season. 6% were unable to compare because this was their first season in business. The Board's view is that it is encouraging that many businesses are holding their own.

An analysis of the survey findings by sector shows that visitor attractions performed best in 1993, 69% reporting a better season. On the other hand caravan and camping parks experienced difficulties with 72% reporting a poorer season. Self-catering establishments reported a slight downturn while both hotels and B & B/Guest Houses saw a marked improvement on last year.

Other areas have indicated similarly varied patterns, albeit in less detail. Business is generally not much better, but not substantially worse. A number of area board Directors interviewed, including those of Angus, Aviemore & Spey Valley, Clyde Valley, Dumfries & Galloway, and Inverness, Loch Ness & Nairn, report a decline in UK visitors but continued growth in numbers of European visitors. The recession is the most frequently advanced reason for the weak state of UK demand, combined with the poor summer weather. However there are a number of underlying factors at work. It is quite clear that

preferences for main holidays are still strongly directed towards sunshine destinations (this is underlined by a recent UK survey for Lunn Poly showing record levels of overseas bookings for 1994). Scotland's future in the UK leisure tourism market undoubtedly lies with secondary and additional holidays. Here perceptions about weather may be an important factor in last minute decision-making. This is less significant for those undertaking touring holidays to more distant parts of the country, but certainly vital for day excursions - in fact, the relative success of visitor attractions in some areas was attributed by some respondents to the poor weather. This illustrates the strategic importance of providing "something for people to do when it's wet".

Americans seem to have returned in greater numbers this year, although a strengthening pound would put a question mark over the continued recovery of this notoriously volatile market. Many areas have noted a greater variety of non-British visitors with fewer French, similar numbers of Germans, more Spaniards and, as has been the case for several years, more Italians.

Special factors apply in some areas. Bizarrely, after nine successive record seasons, the child abuse case has "decimated" Orkney tourism. Many potential visitors to Shetland (and Orkney) are known to have been deterred this year by the Braer disaster. The prognosis for the ski-ing season in Aviemore and Spey Valley however is optimistic. The new chief executive of the Greater Glasgow Tourist Board and Convention Bureau, in a statement celebrating ten years of the Board's existence, concedes a significant drop in domestic tourism but claims that Glasgow is now the third most popular UK destination for overseas visitors. In ten years overseas visitors to Glasgow have grown by 150% compared with a UK growth of 36% and Scottish growth of 50%. A key element for Glasgow is conference business - that recorded by the Board has risen by 200% between 1988 and 1992 with a continuing annual growth rate of 8%.

St. Andrews enjoys year-round business because of its unique attraction. This season has seen the return of Americans in greater numbers, benefiting the larger hotels. Overall business is about the same as last year with different accommodation sectors and visitor attractions registering varied experiences. In this area, as elsewhere, there is a perception that those accommodation providers and visitor attraction operators who have invested in improving the quality of their product have been

rewarded. In more general terms the "quality route" is the strategic orthodoxy of many ATB Directors. Sutherland has had a disappointing year with some evidence of trading down. However, European business is up and although there is some concern about an influx of camper vans bringing little benefit to local businesses, the prospects in Europe for Scotland's "rare and valuable" natural product are held to be good.

Edinburgh stands out as having experienced significant volume growth throughout the year. In the summer the main growth was in group business, much of it from North America, a notable improvement after several poor years. During the later part of the year a number of markets have grown modestly. Most significantly, business tourism has shown growth, while the cheaper accommodation sector has not done well. Edinburgh's European visitors have held up reasonably well. The publicity surrounding the EC summit in December 1992 has provided only an increased platform of awareness on which to base further marketing efforts for Scotland's capital.

The Travis Dale Recession Monitor, published in April of this year, indicated that for UK consumers main holidays continue to be a high priority. But whereas main holidays had always previously been the highest ranking priority in the table of purchasing priorities after food for the home, this year's table saw clothes and footwear overtaking main holidays and home improvements challenging hard. The conclusion was drawn that "distress" purchasing for the home and the wardrobe is increasingly undermining the priority previously given to main holidays. There is an implication in this that slow or fragile recovery in the UK could see further erosion of Scotland's position as a main holiday destination. This is undoubtedly a key issue to be addressed in the strategic national plan currently being prepared by the Scottish Tourist Board.

## TRANSPORT

Employment in the UK transport and telecommunications sector fell by 0.4% in the last quarter. For miscellaneous transport and storage sector there was no change in the employment level.

### Air

Employment in the air transport industry increased by 1.8% in the last quarter.

BAA's largest single source of income comes from retailing, as it reported an 8.7% rise in pre-tax profits from £218M to £237M for the first half of the year. Retail income has increased by 10% and with a 70% share in the UK airport market BAA is turning its attention elsewhere by forming a joint venture with McArthur/Glen, a US property firm, to build six 'factory outlet malls' in the UK at a cost of £40M. Further sites in Europe could follow if this is successful. BAA has also expressed an interest in acquiring an equity stake in, and managing Rome Airport due to be privatised next year.

## **Rail**

Employment fell by 7% in the last quarter in the railways.

British Rail Telecommunications, (BRT), is to be sold to the private sector next year where it could compete with BT and Mercury. Responsibility for rail track signalling would pass to Railtrack. Last year BRT had an operating surplus of £22M but there are doubts over the sell off due to the necessary investment required to extend the lines to customer destinations, as private sector finance did not support a management buyout.

Privatisation rolls on despite the fact that private sector operators will have two thirds of their costs and a major area of investment outwith their control. BR has been given the right to assign employees to subsidiaries, a move attacked by RMT as a scheme to lower wages. The Government suffered a series of embarrassing defeats in the House of Lords, forcing them to concede pension fund commitments from the Treasury, that BR could bid for franchises but want priority given to bids with employee involvement, a ceiling on the number of franchises and a veto if a credible alternative bid is available, and that there should be no cross subsidisation. The director of the National Consumer Council has supported BR being allowed to bid for routes as they would be subject to the rigorous standards of the franchise authority but if there is no bidder for a particular route then BR will run it anyway which will surely mean lower standards in some areas compared to others. The Office of Passenger Rail Franchising is to discuss with potential bidders next year the routes and performance monitoring. The aim is to have a 'no fault' system which will minimise the scope for legal disputes. Franchisees will be paid on the quality and reliability of service provided. Already 50 private sector companies and 30 BR

management teams have expressed an interest.

Scotrail bidders were warned that it would be difficult to raise money from banks. Also, especially in the Scotrail case, there is a compelling need for the operations of Scotrail and the functions of Railtrack to be brought together. The West Coast Main Line has lost out on a £150M leasing deal, provided for in the last Autumn Statement, resulting in 41 new trains going to Network South East. This secures 1,000 jobs at ABB York who contested the order with GEC-Alsthom. The move is seen as running down the line in order to boost privatisation of the East Coast line. The WCML requires £18-35M to be spent on signalling and telecomms over the next six years and would need £800M to take it up to the standard of the ECML.

SPTE has been refused a lease agreement worth £36M by Lombard North Central who are concerned that the region will disappear in local government reorganisation in 1996. This is hard on an authority which supports the largest rail network outside London to the tune of £30M and has seen £150M of investment in it since 1983.

Mossend has been selected as Scotland's Euro freight terminal. Abbcott estates have applied for planning permission for 160 acre freight terminal south of the M1/M6 interchange at a proposed cost of £140M. Freight users have attacked the Government's proposals to sell off Trainload Freight into three companies while keeping Railfreight Distribution in the public sector until Channel Tunnel services are established. Freight users claim this would give RfD preferential access to the Channel Tunnel and create a monopoly position.

When the Channel Tunnel opens it will be one year late and its cost of £8.8bn almost double the estimate. There are several lessons to be learnt from this with regard to the high speed link between the tunnel and London, and the London crossrail link. The main lesson is that these projects could be highly successful but this requires the Government to remove political uncertainty and to provide some public funds to make these projects attractive to the private sector. The high speed channel tunnel-London link has been delayed until the year 2002 despite the French link to Paris being operational. The Government want the private sector to be involved at the design stage. The journey time from Edinburgh to Paris will be cut from nine hours to seven.

## Road

Employment in road transport increased by 0.2% in the last quarter.

There are growing demands for a public enquiry into the second Forth bridge project which will cost £400M. Tolls are expected to rise from 40p to £5 but an alternative proposal is a rail project with new stations at North Kirkcaldy, Halbeath, Dalgety Bay, Edinburgh Airport and South Gyle for only a quarter of the bridge cost. It would mean increasing tolls to £1.50 with off peak concessions, of which 30p would go to fund public transport in the Fife-Edinburgh corridor.

New private vehicle registrations rose by 15.5% in October, giving a increase of 12.1% for Jan-Oct 1993. The Franchise Dealers Association attacked manufacturers for forcing pre-registration of cars, where 45% of registrations came in the last ten days of the month. The UK remains the only significant car market where sales are rising. Commercial vehicle new registrations fell by 2.2% for Jan-Oct 1993 compared to the same period last year. Trucks and heavy trucks continue to show an increase but small and medium vans have declined.

## Sea

Employment levels did not change in the last quarter in sea transport.

The Scottish Secretary received a strong warning about proposals to privatise Caledonian MacBrayne ferries. The Government subsidy to Calmac is £7.1M which is equivalent to the cost of widening 1.5 miles of motorway.

## FINANCIAL SECTOR

A recent study by Coopers and Lybrand on Scotland's competitiveness as a financial sector (reported in SFE News), whilst noting the region's relative success in the 1980s, sounds a number of cautions. Foremost amongst these are concerns about the quality of the infra-structure supporting financial services, in particular, poor international airlinks, a restricted range of training services, and signs that property prices have been less flexible than in competitor financial centres. It also notes that other perceived strengths such as telecommunications and quality of life, may be less convincing than is generally believed and may not be sufficiently strong to counter Scotland's geographical peripherality.

Many of these criticisms are not new and some are undoubtedly misguided. The argument about property prices represents a good example. Property prices elsewhere have shown 'flexibility' because they rose too much and too quickly in the mid 1980s. Is it really better that property prices should rise and then fall dramatically, rather than increase gently or remain stable? In most other areas of investment low variability in prices (and hence returns) is considered a desirable characteristic of an asset since it reflects low risk. This is apparently not the case in the property market! In other instances the criticisms relate to deep seated problems that have been true for many years without apparent detriment to the recent growth of the financial sector in Scotland. Poor airlinks and limited training services, for example, are criticisms that could have been made with equal validity ten years ago, and yet, over the intervening period Scotland's financial sector has been (according to the article) apparently doing well. The real question of interest that the study should have addressed<sup>1</sup> is whether the competitive position has changed and if so, whether Scotland has become any less competitive.

At first sight, one is tempted to answer in the affirmative and assert that Scotland's financial sector has become less competitive. It is clear that the recession and shakeout in London has provided a pool of skilled unemployed which combined with cheaper property than formerly, both commercial as a result of lower office rents and domestic, enhance the appeal of London as a financial centre. It is also apparent that financial centres such as Dublin have grown and offer stronger competition than previously. However, such factors do not necessarily mean that Scotland's position has been undermined. Dublin's financial centre has largely been founded on tax concessions and has not been an outstanding success. It has failed to meet the levels of employment and business that was expected of it. London is probably more attractive than previously but Scotland, particularly Edinburgh, has not typically been the beneficiary of back office work driven out of London by high property and staff costs. It is not apparent that costs have fallen dramatically for the London based financial institutions who are major competitors of Scotland's main players. Large institutions are often locked into long leases that prevent them benefitting (except at the margin) from even dramatic fluctuations in property prices. At the same time money wages (and real wages in times of low inflation) are notoriously sticky and difficult to cut.



Theories of the development of financial sectors are difficult to test and necessarily in part, somewhat speculative. There is, however, considerable agreement on the important role played by the existence of a pool of highly trained, specialised financial professionals and the presence of professional services particularly in law, accounting and other related areas, in attracting financial institutions to an area. Surveys of major institutions aimed at ascertaining the reasons for a particular geographic location consistently rate such factors as highly significant, and it is for this reason that the major international financial centres have survived and thrived despite the attraction of lower costs at other locations. In short, the locational advantages lie with the established centres.

It would be idle to pretend that Scotland is able to provide a full range of specialised financial services. In many areas it is necessary to turn to London firms for advice and help, but there can be little doubt that the range of specialised services on offer in Scotland is considerably wider and better developed than was the case ten years ago. This suggests that the competitive position of Scotland and its prospects for the future, far from deteriorating may have actually improved. Of course, other factors such as innovation, specialisation of activity and communications are important in the development and retention of financial service business but the existence of specialised services has particular significance for the growth of the sector.

Of far greater concern than poor airlinks and training facilities is the possibility of the loss of a major institution from Scotland since such losses could imperil the viability of the Centre's specialised services. It is here that Scotland should worry. The loss of employment and, more importantly, possible loss of control of significant parts of the life assurance sector cannot be entirely ruled out. Changes in the life assurance sector have been dramatic over the last five years. There have, for some considerable time, been commentators (including this column) giving (largely unheeded) warnings of the need of the life insurers to develop new distribution channels. Concerns have also been expressed about the access of mutuals to capital. Despite those concerns there have, until relatively recently, been few commentators forecasting the rapid demise of small mutual life assurance offices and their takeover by other financial institutions such as building societies. Bancassurance five or so years ago was little more than a dream, and whilst one might believe that its advantages are currently

heavily oversold, there was little to suggest that it might lead to operations such as that announced recently by Weinberg and Scottish Amicable, to buy up life assurance companies and slot them into banking operations. Nor have we any reason to believe that the process of rationalisation is complete. Indeed, there is much to suggest that more changes are on the way. Changes such as those announced by Britannia to sell LAS's direct sales operation to US owned Combined Life, and to make some employees redundant could well foreshadow much more dramatic changes as companies such as Standard Life come to terms with the loss of business associated with the severing of its ties with the Halifax. There is considerable danger that such upheavals could result in the loss of a significant amount of life assurance capacity in Scotland and a consequent very real threat to the Scottish Financial Sector as the demand for specialist services declines.

Unfortunately, the possibilities are not limited to the life assurance industry. The possibility of a takeover of The Royal Bank continues to be discussed and whilst The Bank of England and other regulators would look carefully at any such proposals there can be no certainty that a takeover would be prevented. Any significant loss of business resulting from a takeover of The Royal Bank could be a serious blow to the Scottish financial sector. There is considerable evidence that takeovers from outside a region often lead to a dramatic decline in professional employment in the region although total employment may be maintained.

It is of course, relatively easy to be critical of studies examining the threats and competitive pressures to the financial sector. It is more difficult to suggest realistic and reasonable ways forward for the Scottish Financial Sector. An essential ingredient of any such analysis must be to consider the opportunities and possibilities open to the sector. Sources of opportunities are likely to be, for example, in major structural changes proposed by the Government and the European Commission. The recently published Goode Report on pension funds, although it may well be some years before any of its recommendations are enshrined in law, may well offer new opportunities to insurers, fund managers and advisers and provide an opportunity for generating new business and growth. Systematic appraisal and costing of market opportunities is likely to be the most productive way forward and the best use of expensive consultancy resources.

Notes:

1. The study may have addressed the issue. It is not, however, available for reference.

# REGIONAL REVIEW

## Introduction

Unemployment fell in October by 7251 or 3%, leaving the unemployment count in Scotland at 9.2% of the workforce. The percentage fall was higher in Great Britain, where the count declined by 4% to 2,690,754 or 9.8%. Thus the rate of unemployment in Great Britain declined from 10.3% to 9.8% whereas in Scotland the rate declined by 0.3% points to 9.2% of the workforce.

Male unemployment in Scotland fell from 185,239 to 181,081, a fall of 2.2%, and left the male rate of unemployment down 0.3% points at 12.6% of the male workforce. In Great Britain, male unemployment fell from 2,125,627 to 2,056,538. This represented a fall of 69089 (3.3%) and leaves the male rate of unemployment at 13.3%.

Female unemployment fell sharply again in Scotland. The count declined from 56,003 to 52,900 and left 4.8 females out of every hundred unemployed, a drop of 5.4% on September's count. A total of 6.5% fewer females were unemployed in the GB economy in October than in September. The unemployed count fell from 678,500 to 634,216 and left the unemployment rate at 5.3%

Seasonally adjusted data is considered the best guide to underlying movements in the labour market. In Scotland, the total fell by 3,900 (1.6%) in October leaving 9.4% of the workforce unemployed. Male unemployment fell by 1.5% to stand at 184,400 or 12.9%. Female unemployment fell by 2% to 54,600. The overall female rate of unemployment now stands at 5.0%.

In the United Kingdom, the total number of unemployment claimants now stands at 2,855,100 or 10.2% of the workforce. Over the month the total fell by 1.7%. Male and female unemployment fell by 1.4% and 2.5% respectively. The male rate is now 13.7% and the female 5.5%.

The long term trend suggests that the Scottish and UK labour markets are recovering very quickly from what is generally considered a bout of over-shedding in the latter part of 1992. The level, and rate in Scotland, of unemployment in both

economies is now lower than at the same time last year.

## Time Series Analysis

Total Scottish seasonally unadjusted unemployment - table 1 - fell by 3% in October to stand at 233,991 or 9.2% of the workforce. In Great Britain the rate is slightly higher at 9.9%. There, unemployment fell by 4% and left 2,793,596 people on the register. Over the past twelve months the unadjusted count has fallen by 5,929 in Scotland and by 17,222 in Great Britain. The rate of seasonally unadjusted unemployment peaked in January 1993 at 10.3% of the Scottish workforce and 10.8% in Great Britain.

Male unemployment in Scotland fell by 2.2% or 4,158 in October of this year. At the end of January 1993, when the male count peaked, a total of 201,258 men were unemployed on a seasonally unadjusted basis. Now the figure stands at 181,081, a drop of 20,177(10%). In October, GB unemployment fell by 3.3% or 69,089. In Great Britain, male unemployment peaked at 2,270,159 in January 1993 and has now fallen to 2,056,538, a drop of 213,981 (10.4%).

Female unemployment fell by 5.5% in October after a decline of 10.5% in September 1993. The total number of female claimant unemployed now stands at 52,910. In Great Britain, the female total fell by 44,284 (6.5%) and stands at 634,216. Recent movements in female unemployment have been more pronounced in Scotland. The total rose by 14.9% in July 1993 and then by 0.5% in August. In Great Britain, the female total rose by 6.2% and 4% in the same two months.

The seasonally adjusted figures show an overall decline of 1.5% in the GB count and 1.6% in Scotland. This leaves the narrow rate at 10.1% in Great Britain and 9.4% north of the border. Male unemployment fell from a rate of 13.1% to 12.9% in Scotland and from 13.8% to 13.6% in Great Britain. Female unemployment fell from 5.1% to 5% in Scotland and by 0.2% points in Great Britain

to stand at 5.4% .

Since the end of August Scottish seasonally unadjusted female unemployment has fallen by 9,808 (15.6%) on a seasonally unadjusted basis. The GB total fell by 63,480 (9.2%) over the same period. In the year to October 1993, female unemployment in Scotland fell from an unadjusted total of 55,176 to 52,910 (4%) after peaking in August 1993 at 62,718. The total in Great Britain fell by 3,159 (0.5%) over the year

### Unemployment in the Scottish regions

Unemployment statistics for the Scottish regions and broad GB regions are presented in tables 2-4. The tables set out unemployment levels and rates, both broad and narrow, for the regions and these are complemented with monthly, quarterly and annual changes up to October 1993. Any reference to an unemployment rate in this section will refer explicitly to the narrow or workforce definition.

Table 3 shows that, at October 1993, the Western Isles had the highest level of unemployment 1,674 (15%), followed by Strathclyde 122,778 (12.6%) and Fife 15,793 (12.5%). The lowest rate is to be found in the Shetland Islands (3.7%) and Borders (6.4%). The Scottish and GB averages were 10.5% and 11.3% respectively.

The monthly movements in unemployment encompass a wide amplitude of change. Remembering that the Scottish rate level fell by 3% table 2 shows that unemployment rose in three of the regions of Scotland; the Shetland Islands (3.9%), the Orkney Islands (0.9%) and Dumfries & Galloway (0.3%). In contrast, unemployment fell in the other nine regions of Scotland. The largest three monthly drops were in Tayside (5.6%), Fife (4.3%) and Central region (3.8%). The Scottish rate fell by 3.0%. In the wider GB economy, unemployment fell by 4% in October with a spread of -3.6% in the South and -4.8% in the Midlands & Wales.

Disaggregating the monthly movements into male and female, it comes as no surprise that a large proportion of the drop in the count was female. The male count was down by 2.2% while there were 5.5% fewer female claimants. The largest monthly falls in the male count occurred in the Western Isles (4.6%), Tayside (4.4%) and Fife (3.3%) while female unemployment went down by 9.1% in Tayside, 8.4% in Central and 7.2% in Lothian and Dumfries & Galloway. In Great Britain, male unemployment fell by 3.9% in the Midlands &

Wales and by 3.4% in the North of England. Female unemployment fell by 8.2% in the North of England and by 7.5% in the Midlands & Wales.

Over the last three months - July to October - total unemployment has risen in only one of the regions, namely the Orkney Islands (3.3%). Compared with a Scottish average fall of 7.9%, unemployment has fallen by 10.9% in Borders, 9.9% in Fife and by 8.7% and 8.6% in Strathclyde and Tayside. The average fall in Great Britain was 4.6% with a drop of 5% in the Midlands and Wales.

### Quarterly Analysis

Quarterly movements in female unemployment were again much more varied. Female unemployment fell in Strathclyde (17.6%), Tayside (16.6%) and Borders region (16.5%), and rose in the Orkney islands by 0.7%.

The annual change unveils a relatively familiar story. In the year to October 1993, unemployment rose by 15% in the Highlands, 5% in the Shetland islands and 4% in the Orkney islands and Central region. But the count has fallen by 5.3% in Border region, 5% in Lothian and by 4.5% in Strathclyde. The Scottish total fell by 2.5% over the period compared with a fall of 0.6% in Great Britain.

The performance of the male and female labour markets is very different on an annual basis. The most obvious differences are that the male count rose in Central, Dumfries & Galloway, Fife and Tayside, while the corresponding male levels declined. In Scotland, the male count fell by 4.1% and the female by 2.0%. In the South of England, male unemployment rose by 0.1% whereas the female count fell by 2.0%.

### Vacancy Levels

Table 5 relates the vacancy story for the regions of Scotland and the super regions of Great Britain. Table 6 gives a three year time series of U/V ratios. In the year to October 1993, the stock of unfilled vacancies fell by 4.5% in Scotland. However, the aggregated figure disguises the magnitude of some regional movements. The stock increased by 17.6% in Lothian and by 0.7% in Fife. Falls of 69.2%, 45.8% and 42% were recorded in Shetland, Orkney and Western. In all, the total stock of vacancies fell by 945 in the year to October and the largest stocks were to be found in Strathclyde and Grampian which together make up 59.9% of total Scottish vacancies.

In the British regions the total stock has risen by 19,128 (14.9%) in the past year. By far, the largest increase in unfilled vacancies was in the Midlands & Wales (25.2%) and, unsurprisingly, the largest stock was in the South of England which made up 37.6% of the GB total.

Over the quarter July - October 1993 the stock of unfilled vacancies fell in the Shetland islands (38.3%), the Orkney islands (25%) and Dumfries & Galloway (0.3%). The largest rise in vacancies occurred in Grampian (19%), Borders (14.3%) and Fife (14%). Compared with the GB stock the rise in Scotland was quite small. The stock rose by 16.9% in Great Britain. The area with the largest increase in stocks was the North of England which saw a growth of 21.8%.

The U/V ratios - table 6 - represent the number of unemployed chasing each vacancy. In October 1993, in Scotland, 11.64 persons were chasing each available vacancy. Over the period October 1991 to 1993, the U/V ratio has only increased from 11.26. Since October 1992 the GB ratio has fallen from 21.06 to 18.22, a fall of 13.5%. This large fall is higher than in Scotland but caused by the large rise in vacancies in the South of England and the Midlands. U/V ratios in the GB regions have moved more significantly. In the year to October 1992 25.28 people were chasing every vacancy in the South of England, up from 19.48 in the same period in 1991. This has now declined to 21.29. In the Midlands & Wales, a ratio of 21.8 in October 1992 has fallen to 17.17.

In October 1991, the only region of Scotland which had a higher ratio than the GB average was the Western Islands region. This is again true in October 1993 after a dramatic rise in vacancies in October 1992. In October 1992, the average Scottish U/V ratio was ranked 54th in Great Britain. In the past year the average rank has fallen to 46th. In the last twelve months, five of the Scottish regions have seen their rankings rise by at least five places. The worst, Fife and Strathclyde, have risen by twelve and eleven places.

### Inter-regional variations

In this section we look at variations within Scotland. We compare the performance of the regions of Scotland with Scotland itself and with the GB economy as a whole. This inter-regional analysis uses data for the 61 Travel to Work areas in Scotland. There are 322 TTWAs in Great Britain.

Table 7 sets out the TTWAs with the highest and lowest unemployment rates in Scotland and ranks them in terms of both the Scottish and GB averages. The table shows that Cumnock & Sanquhar (18.1%) and Forres (17.3%) have the highest incidences of unemployment in Scotland. In comparison with the GB economy, these two areas in Scotland now have the second and third highest rates of unemployment.

In October 1992, Forres had the 16th highest unemployment rate in Great Britain. In the space of one year its GB rank has increased to 3rd, revealing the extent of the variations within the Grampian economy. The High-Low calculations show the extent of unemployment in Grampian, the region with the highest Income per capita in Scotland. The region-wide variations appear to be just as acute in Dumfries & Galloway.

The table also shows the areas where labour market conditions are favourable. Aberdeen has the third lowest unemployment level in Great Britain (3.5%). Galashiels, ranked tenth, has a rate of 4.3% and Oban, ranked 30th, a rate of 5.7%. It is also interesting to note that, in the last year, rate of unemployment in Invergordon & Dingwall/Wick has risen from 12th to 4th place and Bathgate has fallen from 15th to 23rd.

### Unemployment in the british regions

Figure 1 presents the Scottish and British unemployment rates for the period January 1975 to October 1993. This figure indicates that the Scottish unemployment rate fell below the British rate in January 1990 and has remained there since. In October 1993, the Scottish rate stood at 9.4% on a seasonally adjusted basis which constitutes 92.2% of the current British rate of 10.1%. Before 1992, the Scottish rate had not fallen below the national rate since records began in the early 1920s.

Figure 2 sets out the relative unemployment rate for the period 1975-1993. The relative unemployment rate is obtained by expressing the Scottish rate as a percentage of the British equivalent. This indicates that the Scottish relative unemployment stood at circa 150 in the late 1980s but has collapsed dramatically across the present recession.

In addition, Figure 1 indicates that both Scottish and British unemployment peaked in January 1993. In the case of GB, unemployment peaked at 2,885,100 or 10.5% of the workforce. The male count reached 2,216,900 (14.3%) whilst the female

count reached 2,216,900 (14.3%) whilst the female total rose to 668,200 (5.4%). With the exception of August, British unemployment has fallen steadily to stand at 2,751,100 (10.1%) in October 1993. This represents a fall of 4.6%.

The British male unemployment rate has fallen in every month since January and presently totals 2,109,400 (16.6%) whilst the female count has dropped erratically to 641,700 (5.4%). In the January to October period, male jobless fell by 107,500 or by 4.8% whilst the female count fell by xx,xxx or by 4.0%.

Figure 3 sets out unemployment for Scotland, GB and 3 specially constructed regions for the period 1989-1993. The South of England comprises London, the South East, South West and East Anglia. The Midlands and Wales consists of East Midlands, West Midlands and Wales whilst the North of England covers the North West, Yorkshire & Humberside and the Northern Region.

Figure 3 indicates that the recession has exacted both a heavier and earlier toll the further south one looks. On the basis of an index based at January 1990, the regional unemployment changes across the recession are as follows:-

#### Unemployment Change across GB regions Jan 1990=100

	Oct 1990	Oct 1992	Jan 1993	Oct 1993
South of England	120.1	258.8	273.4	260.7
Midlands & Wales	105.3	176.8	184.9	175.2
North of England	101.6	140.5	145.3	139.1
Scotland	95.0	116.7	119.2	114.2
Great Britain	107.1	181.1	187.9	180.4

This indicates that, at the height of the recession, unemployment in the South of England had risen to 2.73 times the levels evident at January 1990. In Scotland, unemployment peaked at 1.19 times the pre-recession level. Since January, unemployment has been falling in all regions.

The situation since January for Scotland and the 3 GB regions is set out below. In the case of males the changes are as follows:-

#### Male Unemployment Change across GB regions Jan-Oct 1993 - thousands

	Jan 1993	Oct 1993	% change
South of England	958.0	909.1	-5.1
Midlands & Wales	475.8	449.0	-5.6
North of England	590.7	567.0	-4.0
Scotland	192.5	184.4	-4.2
Great Britain	2216.9	2109.4	-4.8

This indicates that male unemployment is falling more sharply in the 'north' than in the 'south'. The Scottish decline is slower than the national trend. Indeed, of the 11 British standard planning regions, only London (-1.4%) and Northern region (+1.0%) exhibit a weaker trend than in Scotland. The sharpest falls in male unemployment have been in the South West (-7.7%), South East (-7.2%), West Midlands (-6.4%) and East Anglia (-6.2%). Thus, in the 10 months to October, the fall in Scottish male unemployment has been modest in comparison with other areas.

The female count for January & October 1993 is as follows:-

#### Female Unemployment Change across GB regions - Jan-Oct 1993 - thousands

	Jan 1993	Oct 1993	% change
South of England	307.3	297.6	-3.2
Midlands & Wales	139.7	134.4	-3.8
North of England	164.1	155.3	-5.4
Scotland	57.0	54.6	-4.2
Great Britain	668.2	641.7	-4.0

In the case of females, the count has fallen more sharply in the North than in the South. Whilst female unemployment in Scotland has fallen more markedly than in GB, only 4 planning regions fared worse. The 3.2% fall evident in the South of England comprises a weak performance in London (-1.2%) and strong trend in the South East (-6.7%). Female unemployment in East Anglia and the South West fell by 4.2% the same as in Scotland. In Midlands & Wales, only East Midlands (-4.8%) fared better than Scotland whilst, in the North of England, only the Northern region(-3.2%) performs worse than Scotland.

The changes in total jobless are as follows:-

#### Unemployment Change across GB regions Jan-Oct 1993 - thousands

	Jan 1993	Oct 1993	% change
South of England	1265.3	1206.7	-4.6
Midlands & Wales	615.5	583.4	-5.2
North of England	754.8	722.3	-4.3
Scotland	249.5	239.0	-4.2
Great Britain	2885.1	2751.1	-4.6

Thus, Scotland's overall unemployment performance is weaker than either the British average or those of the 3 constructed regions. In terms of the 11 British standard regions, the Scottish performance was stronger than that of Northern (+0.2%), London (-1.2%) and Wales (-3.7%). The strongest trends are evident in the South West (-6.9%), the South East (-6.7%) and the North West (-6.1%).

At the bottom of Scotland's poor showing is the modest fall in male jobless compared in most parts of England & Wales. Although it is early days, there is some indication that the South and Midlands, which fared badly across the recession, are performing better in recovery. This is consistent with the view that a significantly greater proportion of the unemployment in these areas is of a cyclical nature.

Figure 4 sets out the relative unemployment position in Scotland and the 3 constructed regions. This indicates graphically the convergence of British regional unemployment rates across the present recession. The underlying relative rates are as follows:-

#### Relative Unemployment in the GB regions

	Oct 1990	Oct 1992	Jan 1993	Oct 1993
South of England	77.3	97.3	97.7	95.7
Midlands & Wales	105.3	102.5	102.1	100.0
North of England	134.9	107.8	106.8	104.8
Scotland	140.4	96.0	93.3	92.2

The data indicates that convergence is still occurring after the January peak. However, as labour market recovery continues and when the

workforce base is revised, we expect to see a diverging trend re-emerging as unemployment falls more rapidly in the Midlands & South.

Figure 5 sets out the Unemployment-Vacancy (U/V) ratio for Scotland and GB for the 1980-1993 period. The U/V ratio indicates the numbers of unemployed chasing each vacancy and is a standard indicator of labour market conditions. For much of the mid to late 1980s, the Scottish U/V ratio was circa 1.4-1.6 times the British level. However, since June 1990, the Scottish ratio has been below the British average. In October 1993, the Scottish U/V ratio stood at 13.5 which constitutes 63% of the British level.

The trend in the U/V ratio across the recession for Scotland, GB and the 3 constructed regions is as follows:-

#### U/V Ratio in the GB regions

	Oct 1990	Oct 1992	Jan 1993	Oct 1993
South of England	10.9	30.6	29.6	24.8
Midlands & Wales	10.9	26.9	25.8	20.3
North of England	13.5	25.2	25.7	21.6
Scotland	9.2	13.1	12.8	13.5
Great Britain	11.3	25.4	25.0	21.4

This data indicates that the sharpest slackening of labour markets took place in the South of England where U/V ratios reached 3 times the pre recession position. Although the ratio increased in Scotland across the recession, the Scottish ratio stood at circa half the level experienced in the 3 other regions.

Figure 6 sets out the Scottish U/V ratio as a percentage of the national average. The data for the 3 constructed regions is as follows:-

#### U/V Ratio in the GB regions - % GB

	Oct 1990	Oct 1992	Jan 1993	Oct 1993
South of England	96.2	120.3	118.5	115.8
Midlands & Wales	95.6	105.8	103.0	94.8
North of England	118.6	99.1	102.7	100.9
Scotland	81.2	51.4	51.2	63.0
Great Britain	100.0	100.0	100.0	100.0

This data indicates that, the Scottish U/V ratio has

declined relative to the GB average in the period January to October 1993. During this time, the Scottish ratio rose from 12.8 in January to 13.5 at present whilst the GB level fell from 25.0 to 21.4.

The change in vacancies in the Jan-Oct period is as follows:-

**Change in Unfilled Vacancies across GB regions  
Jan-Oct 1993 - thousands**

	Jan 1993	Oct 1993	% change
South of England	42.7	48.6	13.8
Midlands & Wales	23.9	28.7	20.1
North of England	29.4	33.4	13.6
Scotland	19.5	17.5	-9.2
Great Britain	115.4	128.3	11.2

The stock of British vacancies has been growing since October 1992 and by 11.2% this year. In Scotland, the numbers of such vacancies has continued to fall. In the 10 months to October, Scottish vacancies have fallen by 2000 or by 9.2%. Above we set out that Scottish unemployment had fallen but by less than the national trend and by less than in most other regions. This allied to the falling stock of vacancies has caused the U/V ratio to rise both in absolute terms and relative to GB.

Thus, in the recent period, Scotland has fared poorly relative to other parts of Britain. However, it should be stressed that Scottish unemployment rates remain below the national average and that U/V ratios continue to be amongst the lowest in the country.



Table 1A: Unemployment Totals: Unadjusted Time Series: Scotland									
		Unemp rates	Total	Monthly % change	Males	Monthly % change	Females	Monthly % change	
Oct	1992	9.5	239920	-0.42	184744	0.28	55176	-2.70	
Nov	1992	9.6	242870	1.23	187478	1.48	55392	0.39	
Dec	1992	9.9	251774	3.67	195085	4.06	56689	2.34	
Jan	1993	10.3	260757	3.57	201258	3.16	59499	4.96	
Feb	1993	10.1	257092	-1.41	197517	-1.86	59575	0.13	
Mar	1993	9.9	250662	-2.50	192952	-2.31	57710	-3.13	
Apr	1993	9.9	250060	-0.24	192203	-0.39	57857	0.25	
May	1993	9.6	243686	-2.55	188596	-1.88	55090	-4.78	
Jun	1993	9.5	240759	-1.20	186448	-1.14	54311	-1.41	
Jul	1993	10	254199	5.58	191782	2.86	62417	14.93	
Aug	1993	10	253923	-0.11	191205	-0.30	62718	0.48	
Sep	1993	9.5	241242	-4.99	185239	-3.12	56003	-10.71	
Oct	1993	9.2	233991	-3.01	181081	-2.24	52910	-5.52	
Source: Dept of Employment, FAI									

**Table 1B: Unemployment Totals: Unadjusted Time Series: Great Britain**

		Unemp rate	Total	Monthly % change	Males	Monthly % change	Females	Monthly % change
Oct	1992	9.9	2707976	-1.06	2070601	-0.34	637375	-3.34
Nov	1992	10.1	2759355	1.90	2119113	2.34	640242	0.45
Dec	1992	10.5	2877919	4.30	2218067	4.67	659852	3.06
Jan	1993	10.8	2954056	2.65	2270519	2.36	683537	3.59
Feb	1993	10.7	2935427	-0.63	2253252	-0.76	682175	-0.20
Mar	1993	10.6	2890709	-1.52	2221217	-1.42	669492	-1.86
Apr	1993	10.6	2895175	0.15	2222986	0.08	672189	0.40
May	1993	10.3	2813742	-2.81	2168693	-2.44	645049	-4.04
Jun	1993	10.1	2762169	-1.83	2129835	-1.79	632334	-1.97
Jul	1993	10.3	2821056	2.13	2149620	0.93	671436	6.18
Aug	1993	10.4	2850573	1.05	2152517	0.13	698056	3.96
Sep	1993	10.3	2804127	-1.63	2125627	-1.25	678500	-2.80
Oct	1993	9.8	2690754	-4.04	2056538	-3.25	634216	-6.53

Source: Dept of Employment, FAI

	% rate Oct 1993		Total	Total	Annual Change		Total	Quarterly Change		Total	Monthly Change	
	Narrow	Wide	Oct 93	Oct 92	abs.	%	Jul 93	abs.	%	Sep 93	abs.	%
Borders	6.4	5.3	2570	2715	-145	-5.3	2883	-313	-10.9	2621	-51	-1.9
Central	11.1	9.8	12078	11614	464	4.0	12885	-807	-6.3	12551	-473	-3.8
Dum & Gall	9.6	7.8	5527	5523	4	0.1	5960	-433	-7.3	5510	17	0.3
Fife	12.5	11.0	15793	15782	11	0.1	17526	-1733	-9.9	16494	-701	-4.3
Grampian	5.0	4.4	13230	13289	-59	-0.4	13830	-600	-4.3	13439	-209	-1.6
Highland	12.0	10.1	10755	9294	1461	15.7	10989	-234	-2.1	10476	279	2.7
Lothian	8.5	7.7	32049	33734	-1685	-5.0	34768	-2719	-7.8	33290	-1241	-3.7
Strathclyde	12.6	11.2	122778	128596	-5818	-4.5	134517	-11739	-8.7	126620	-3842	-3.0
Tayside	10.1	8.7	16666	16794	-128	-0.8	18229	-1563	-8.6	17659	-993	-5.6
Orkney Islands	6.4	4.6	470	452	18	4.0	455	15	3.3	466	4	0.9
Shetland Islands	3.7	3.1	401	382	19	5.0	420	-19	-4.5	386	15	3.9
Western Isles	15.0	11.7	1674	1745	-71	-4.1	1737	-63	-3.6	1730	-56	-3.2
Scotland	10.5	9.2	233991	239920	-5929	-2.5	254199	-20208	-7.9	241242	-7251	-3.0
South of England	11.1	9.6	1181548	1176819	4729	0.4	1227506	-45958	-3.7	1226137	-44589	-3.6
Midlands & Wales	11.4	9.9	568735	576160	-7425	-1.3	598865	-30130	-5.0	597398	-28663	-4.8
North of England	11.9	10.5	706480	715077	-8597	-1.2	740486	-34006	-4.6	739350	-32870	-4.4
Great Britain	11.3	9.8	2690754	2707976	-17222	-0.6	2821056	-130302	-4.6	2804127	-113373	-4.0

Source: Dept. of Employment, FAI

Table 3 Male Unemployment By Region: Unadjusted

	% rate Oct 1993		Total	Total	Annual Change		Total	Quarterly Change		Total	Monthly Change	
	Narrow	Wide	Oct 93	Oct 92	abs.	%	Jul 93	abs.	%	Sep 93	abs.	%
Borders	9.3	7.0	1903	2005	-102	-5.1	2084	-181	-8.7	1941	-38	-2.0
Central	15.9	13.5	9317	8771	546	6.2	9640	-323	-3.4	9536	-219	-2.3
Dum & Gall	12.8	9.6	4028	3973	55	1.4	4223	-195	-4.6	4023	5	0.1
Fife	17.1	14.4	11985	11806	179	1.5	13024	-1039	-8.0	12389	-404	-3.3
Grampian	6.3	5.3	9682	9773	-91	-0.9	9901	-219	-2.2	9738	-56	-0.6
Highland	17.8	13.9	8348	7046	1302	18.5	8535	-187	-2.2	8179	169	2.1
Lothian	12.8	11.0	24921	25950	-1029	-4.0	26613	-1692	-6.4	25609	-688	-2.7
Strathclyde	18.5	15.7	96479	101040	-4561	-4.5	102582	-6103	-5.9	98788	-2309	-2.3
Tayside	14.3	11.7	12485	12429	56	0.5	13214	-729	-5.5	13057	-572	-4.4
Orkney Islands	8.2	5.3	326	309	17	5.5	312	14	4.5	327	-1	-0.3
Shetland Islands	4.8	3.7	293	262	31	11.8	312	-19	-6.1	274	19	6.9
Western Isles	22.2	15.5	1314	1380	-66	-4.8	1342	-28	-2.1	1378	-64	-4.6
Scotland	15.1	12.6	181081	184744	-3663	-2.0	191782	-10701	-5.6	185239	-4158	-2.2
South of England	15.4	12.7	886121	887061	-940	-0.1	922483	-36362	-3.9	913885	-27764	-3.0
Midlands & Wales	15.9	13.2	436388	442468	-6080	-1.4	458497	-22109	-4.8	454322	-17934	-3.9
North of England	17.2	14.5	552948	556328	-3380	-0.6	576858	-23910	-4.1	572181	-19233	-3.4
Great Britain	15.9	13.2	2056538	2070601	-14063	-0.7	2149620	-93082	-4.3	2125627	-69089	-3.3

Source: Dept. of Employment, FAI

**Table 4 Female Unemployment By Region: Unadjusted**

	% rate Oct 1993		Total	Total	Annual Change		Total	Quarterly Change		Total	Monthly Change	
	Narrow	Wide	Oct 93	Oct 92	abs.	%	Jul 93	abs.	%	Sep 93	abs.	%
Borders	3.4	3.1	667	710	-43	-6.1	799	-132	-16.5	680	-13	-1.9
Central	5.5	5.1	2761	2843	-82	-2.9	3245	-484	-14.9	3015	-254	-8.4
Dum & Gall	5.8	5.2	1499	1550	-51	-3.3	1737	-238	-13.7	1487	12	0.8
Fife	6.8	6.3	3808	3976	-168	-4.2	4502	-694	-15.4	4105	-297	-7.2
Grampian	3.1	3.0	3548	3516	32	0.9	3929	-381	-9.7	3701	-153	-4.1
Highland	5.6	5.1	2407	2248	159	7.1	2454	-47	-1.9	2297	110	4.8
Lothian	3.9	3.7	7128	7784	-656	-8.4	8155	-1027	-12.6	7681	-553	-7.2
Strathclyde	5.8	5.5	26299	27556	-1257	-4.6	31935	-5636	-17.6	27832	-1533	-5.5
Tayside	5.3	5.0	4181	4365	-184	-4.2	5015	-834	-16.6	4602	-421	-9.1
Orkney Islands	4.2	3.5	144	143	1	0.7	143	1	0.7	139	5	3.6
Shetland Islands	2.3	2.1	108	120	-12	-10.0	108	0	0.0	112	-4	-3.6
Western Isles	6.9	6.3	360	365	-5	-1.4	395	-35	-8.9	352	8	2.3
Scotland	5.1	4.8	52910	55176	-2266	-4.1	62417	-9507	-15.2	56003	-3093	-5.5
South of England	6.0	5.5	295427	289758	5669	2.0	305023	-9596	-3.1	312252	-16825	-5.4
Midlands & Wales	5.9	5.5	132347	133692	-1345	-1.0	140368	-8021	-5.7	143076	-10729	-7.5
North of England	5.6	5.2	153532	158749	-5217	-3.3	163628	-10096	-6.2	167169	-13637	-8.2
Great Britain	5.8	5.4	634216	637375	-3159	-0.5	671436	-37220	-5.5	678500	-44284	-6.5

Source: Dept. of Employment, FAI

Table 5A: Unfilled Vacancies by Scottish Region

	Oct	%	Oct	%	Annual Change		July	%	Quarterly Change	
	1993		1992		abs	%	1993		abs	%
Borders	393	2.0	471	2.2	-78	-16.6	342	1.9	51	14.9
Central	1108	5.5	1168	5.6	-60	-5.1	1040	5.7	68	6.5
Dum & Gall	767	3.8	823	3.9	-56	-6.8	769	4.2	-2	-0.3
Fife	1076	5.4	1069	5.1	7	0.7	941	5.2	135	14.3
Grampian	2416	12.0	2846	13.5	-430	-15.1	2031	11.2	385	19.0
Highland	979	4.9	1120	5.3	-141	-12.6	961	5.3	18	1.9
Lothian	2404	12.0	2045	9.7	359	17.6	2134	11.7	270	12.7
Strathclyde	9631	47.9	9746	46.3	-115	-1.2	8729	47.9	902	10.3
Tayside	1110	5.5	1230	5.8	-120	-9.8	993	5.5	117	11.8
Orkney Islands	51	0.3	88	0.4	-37	-42.0	68	0.4	-17	-25.0
Shetland Islands	100	0.5	325	1.5	-225	-69.2	162	0.9	-62	-38.3
Western Isles	58	0.3	107	0.5	-49	-45.8	43	0.2	15	34.9
Scotland	20093	100.0	21038	100.0	-945	-4.5	18213	100.0	1880	10.3

Table 5B: Unfilled Vacancies by British Region

	Oct	%	Oct	%	Annual Change		July	%	Monthly Change	
	1993		1992		abs	%	1993		abs	%
Scotland	20093	13.6	21038	16.4	-945	-4.5	18213	14.4	1880	10.3
South of England	55512	37.6	46562	36.2	8950	19.2	47300	37.4	8212	17.4
Midlands & Wales	33056	22.4	26393	20.5	6663	25.2	28808	22.8	4248	14.7
North of England	39044	26.4	34584	26.9	4460	12.9	32052	25.4	6992	21.8
Great Britain	147705	100.0	128577	100.0	19128	14.9	126373	100.0	21332	16.9

Source: Dept of Employment, FA1

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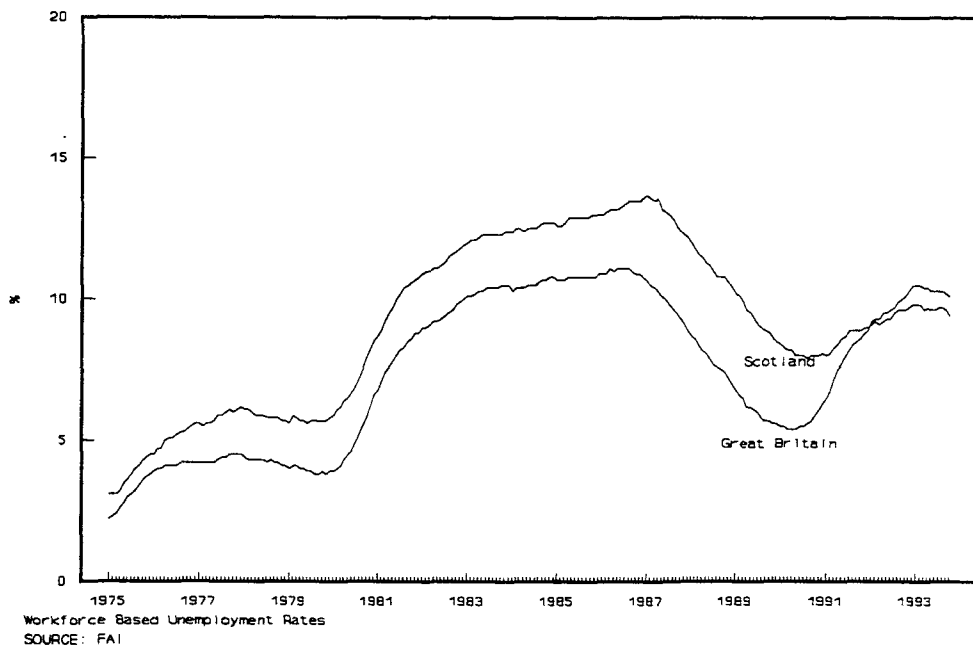
Table 7: TTWas with Highest &amp; Lowest Unemployment Rates: October 1993 and October 1992

		Unemployment: Oct 1993			Unemployment: Oct 1992			High-Low		High/Low	
		% rate	GB rank	Sc rank	% rate	GB rank	Sc rank	Oct 1993	Oct 1992	Oct 1993	Oct 1992
Borders	Peebles	7.8	200	32	8.2	190	30	3.5	4.0	1.8	2.0
	Galashiels/ Kelso	4.3	312	58	4.2	312	58				
Central	Alloa	13.0	28	6	12.2	37	9	5.6	5.1	1.8	1.7
	Stirling	7.4	215	34	7.1	244	40				
Dumfries &	Cumnock and Sanquhar	18.1	2	1	18.7	1	1	11.7	12.1	2.8	2.8
Galloway	Dumfries/St ewartry	6.4	264	45	6.6	265	44				
Fife	Kirkcaldy	12.1	41	8	12.1	45	11	5.0	5.1	1.7	1.7
	North East Fife	7.1	239	41	7.0	248	41				
Grampian	Forres	17.3	3	2	13.7	16	3	13.8	10.1	4.9	3.8
	Aberdeen	3.5	320	59	3.6	319	59				
Highland	Invergordon and Dingwall/W ick	14.3	15	4	11.7	53	12	6.4	4.1	1.8	1.5
	Thurso	7.9	195	31	7.6	219	35				
Lothian	Bathgate	9.7	117	23	10.9	77	15	2.3	3.3	1.3	1.4
	Edinburgh	7.4	218	35	7.6	223	34				
Strathclyde	Irvine/Girva n	13.2	25	5	13.6	18	4	7.5	7.8	2.3	2.3
	Oban	5.7	292	53	5.8	290	54				
Tayside	Arbroath	10.7	90	19	10.9	82	16	4.8	5.0	1.8	1.8
	Perth	5.9	286	50	5.9	287	53				

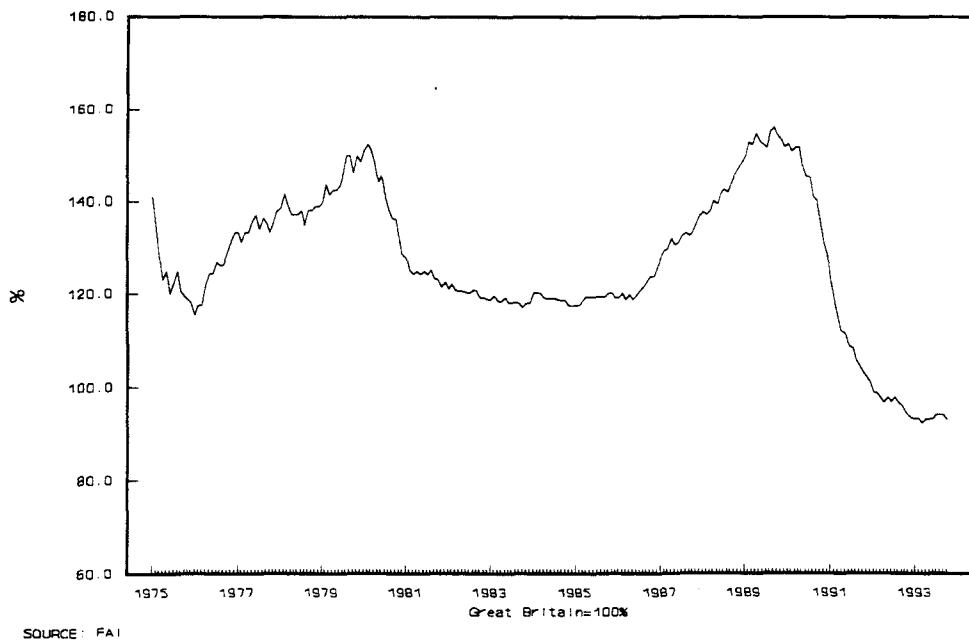
Source: Dept of Employment, FAI



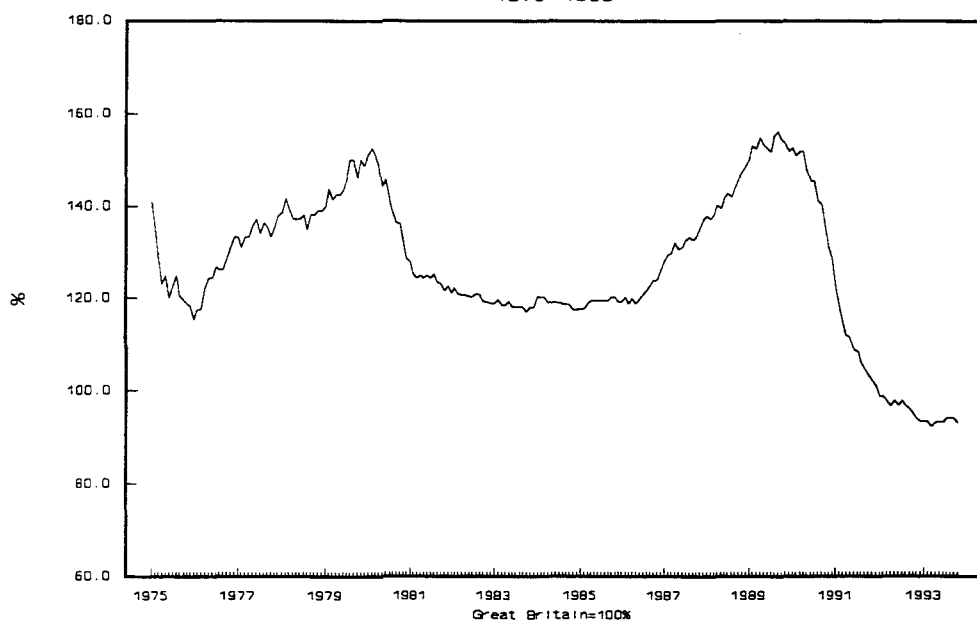
Unemployment Rates in Scotland and Great Britain  
1975-1993



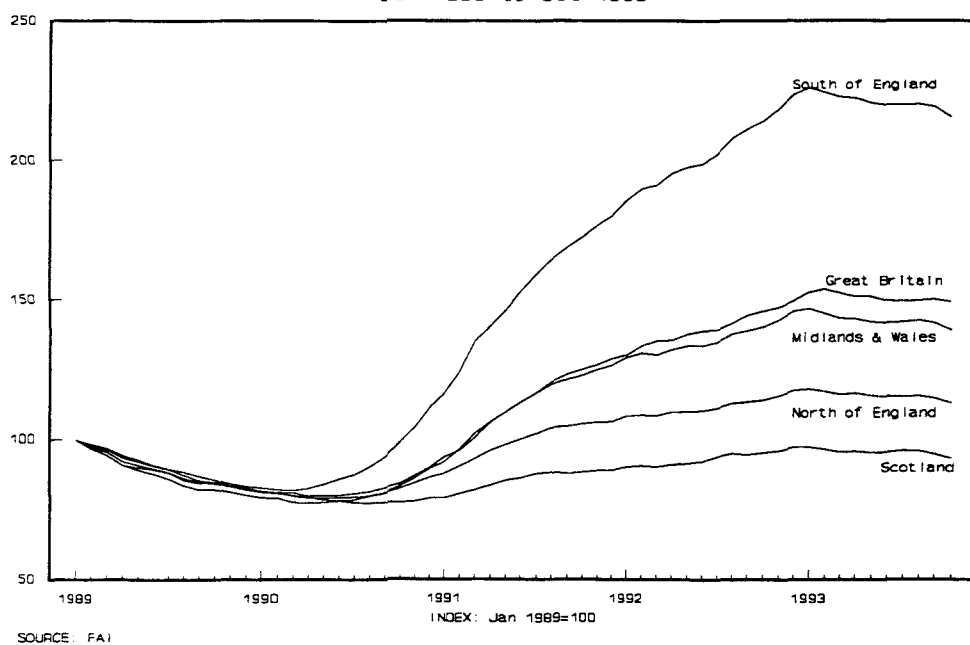
Scottish Relative Unemployment Rate  
1975-1993



### Scottish Relative Unemployment Rate 1975-1993

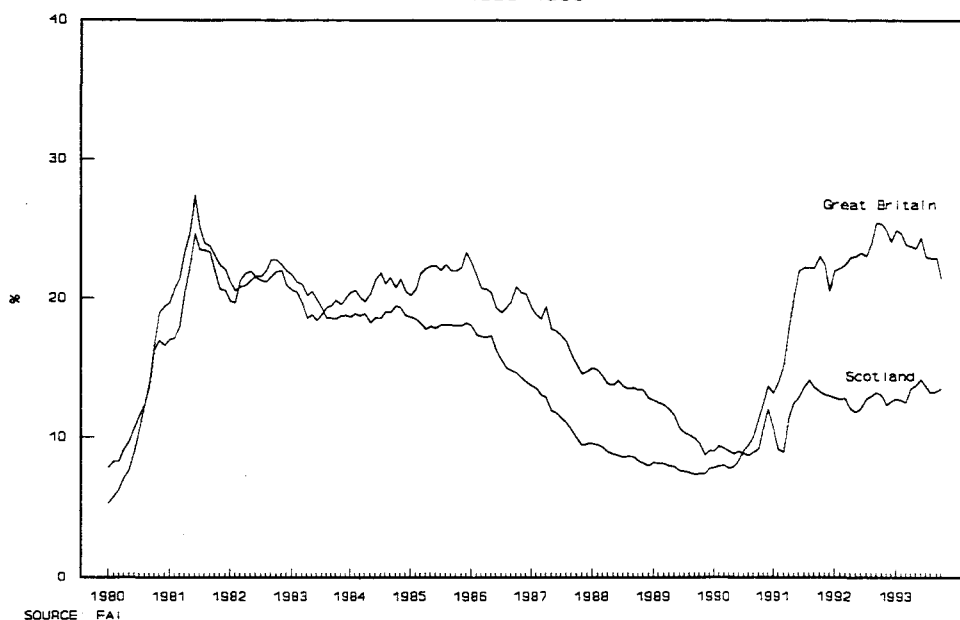


### British Regional Unemployment Change Jan 1989 to Oct 1993



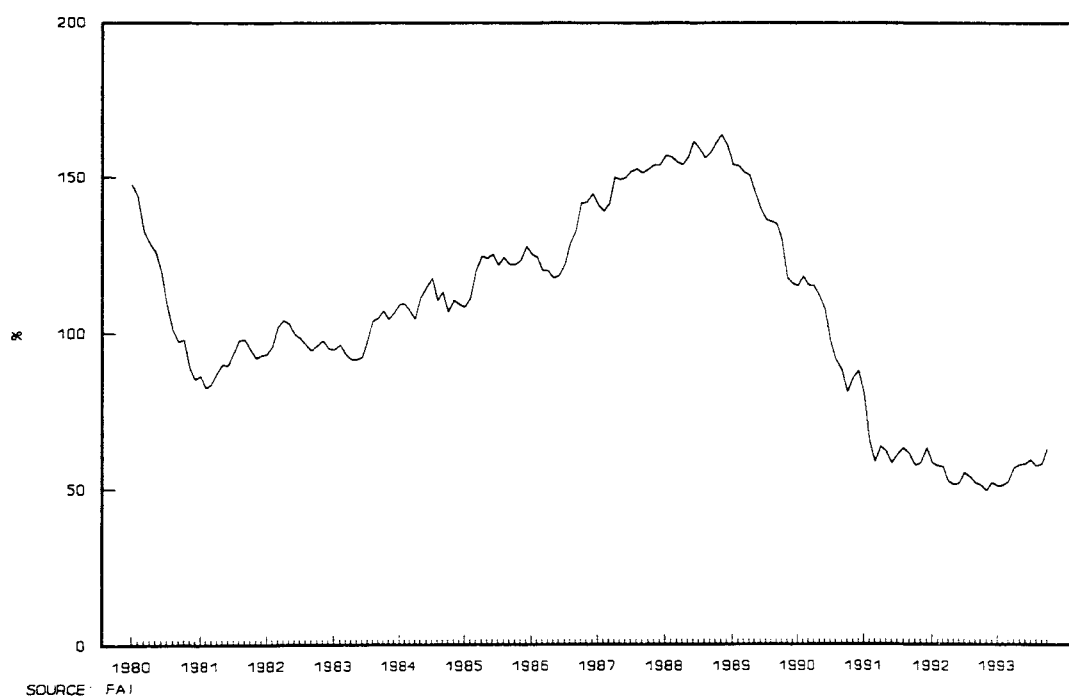
# Unemployment Vacancy Ratio

1980-1993



# Scottish U/V Ratio : %GB

1980-1993



## 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 benchmarked 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 June 1993 and these are reported in Tables 1 and 2. Overall,

total employees in employment fell by around 40,000 (1.9%) in the year to June 1993. Male employees in employment fell by 36,000 (3.5%), and total female employment fell by 5,000 (0.5%). Part-time female employment rose by 7,000 and full-time female employment fell by 12,000. Part-time male employment rose by 4,000 or 4.3%.

Over the year to June 1993, the biggest employment losses occurred in construction (12,000 or 10.1%), metal goods (9,000 or 6.2%) and metal manufacturing (3,000 or 7.7%). Public admin. and banking etc. registered small employment gains.

### Vacancies: stocks and flows

Over the year to October 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 1.0 thousands from 18.7 to 17.7 thousands over the year to October 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 October 1993 inflows of 23 thousand were slightly greater than outflows (22.6 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. While the latter interpretation received something of a blow from the 2.2% increase in unemployment in July, unemployment has fallen (on an adjusted basis) in each month from then up to and including October of this year.

Over the year to October 1993 total unemployment fell by about 5.3 thousand, from 244.3 thousand and from 9.6% to 9.4% of the working population. This represents a reduction in the level of unemployment of 2.1 per cent. The aggregate figures reflect a decrease in female unemployment of 1.9 thousand, and a decrease of 3.4 thousand in male unemployment.

Table 6 presents recent flows into and out of the unemployment stock. In October 1993 inflows were, at 35.5 thousand, about 3.2 thousand more than in the same month of 1992. Outflows were, at 41.7 thousand, 1.9 thousand more than in October 1992. If gross outflows were maintained at their October 1993 level unemployment stocks could turnover in just under 6 months.

## **BUSINESS SURVEY EVIDENCE**

Results from the latest Scottish Chambers' Business Survey provide further evidence of a slow recovery in employment, and an increasing demand for labour. In most sectors the trends in employment were the most optimistic for the past three years, although seasonal factors may have been a contributory factor in these upward trends.

Downward trends in employment were reported by Oil respondents, and these downward trends are expected to continue, although some increase in the use of part time and sub contracted staff were recorded. In Manufacturing the slight rise in the

trend in employment was unexpected, but is now expected to continue through the fourth quarter. An upward trend in overtime was noted for the third quarter, but this is not expected to continue.

The slight downward trend in employment in Construction was the smallest since the revision of the survey in 1990, although a sharp decline is expected for the fourth quarter. The rise in overtime in the third quarter, coupled with a decline in overtime and increase in short time working expected for the fourth quarter, adds support to the view that the current improvement in employment levels is largely seasonally generated.

In both Wholesale and Retail distribution the employment trends were the most positive since the revision of the survey in 1990. In both sectors the growth in employment reflected increased employment of temporary and part time staffs. In Retail, the overall growth in employment levels concealed further declines in full time employment. The Financial sector reported a continuation of the downward trends in employment which have been a feature for the past three years. Once again, the overall decline concealed an increase in the use of part time and temporary staffs.

In Tourism the upward trend in employment fell from a net of +4% to +1%, nevertheless, this upward trend is still better than that recorded for the third quarters in 1992 and 1991. Employment and overtime levels are expected to fall in the fourth quarter.

Generally in the service sector, the growth in temporary and part time employment continued to outperform the trends in full time employment. The evident continuing spread of flexible employment policies over the past three years may well be a significant factor affecting the labour force, and have implications in the longer term.

The higher percentages of Manufacturing, Construction and Retail respondents seeking to recruit staff provides further evidence of an upturn, influenced by seasonal factors, in the labour market. 50% of Manufacturers sought to recruit staff, the highest level for the past two years. 46% of Construction respondents sought to recruit, again the highest third quarter percentage for the past three years. 49% of Retail firms reported seeking to recruit staff, again the highest percentage since the third quarter of 1990.

With this slight upturn in demand has been an

increase in the percentages of firms in Manufacturing, Wholesale and Retail Distribution, and Tourism and Leisure reporting increased recruitment difficulties. Notwithstanding these difficulties, the percentage of Manufacturing, Construction and Tourism firms reporting increased training provision fell.

The results confirm the conclusions of the recent Skill Needs in Britain 1993, which pointed to a slight rise in the level of skill shortages. A fifth of Manufacturing, 23% of Construction, 18% of Retail, and 39% of Tourist respondents reported difficulties in recruiting skilled manual staffs. However, whilst evidence of increased recruitment difficulties were apparent in a number of sectors, there was little evidence of firms increasing their training provisions.

The average pay increase fell in Manufacturing and Construction, remained unchanged in Tourism and Leisure, but rose in all other sectors. Construction recorded the lowest average increase of 1.7%, elsewhere the average increase ranged between 4 and 5%. The pattern in recent quarters suggests that the average increase for 1993 - 1994 is not likely to drop much below 4%, such an increase is likely to pose increasing problems for the Government's policy of restricting pay increases in the public sector in the current and next pay round.

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) 1,429
	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) 993	(95) 96	(971) 974	(436) 437	(1,963) 1,967	(520) 518	(405) 405	(348) 348	(1,418) 1,423
1993	Mar	978	91	965	431	1944	511	401	345	1,407
	June	988	96	976	438	1965	511	404	348	1,427

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	Energy & Water	Metal Man. & chemicals	Metal goods, Eng. & vehicles	Other Man.	Const.	Distribution Hotels & Catering: repairs	T'sport & Comm.	Banking, insurance & finance	Public admin, education & other services
		0	1	2	3	4	5	6	7	8	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	110	401	109	208	689
	Jun	27	56	36	145	167	107	411	111	212	693

\* 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
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
Aug	18.6	0.6	0.3	18.4	0.6
Sep	18.2	-0.4	0.3	19.9	0.6
Oct	17.7	-0.5	-0.1	20.1	0.5

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

Date	In-flow		Out-flow		000s of which: Placings	
	Level	Average change 3 months ended	Level	Average change 3 months ended	Level	Average change 3 months ended
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
Aug	21.6	0.0	20.9	-0.9	17.8	-0.2
Sep	22.1	0.0	21.7	-0.2	18.8	0.0
Oct	23.0	0.3	22.6	0.6	19.3	0.5

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.
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	56.5	246.7	2.2	-0.5	9.7
Aug	189.6	56.5	246.1	-0.6	-0.3	9.7
Sep	187.2	55.7	242.9	-3.2	-0.3	9.6
Oct	184.4	54.6	239.0	-3.9	-1.0	9.4

Source: Department of Employment

TABLE 6: UNEMPLOYMENT FLOWS - STANDARDISED, UNADJUSTED: SCOTLAND ('000s)

Month ending	In-flow	Out-flow
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
Aug	34.4	34.6
Sep	35.1	48.9
Oct	35.5	41.7

Source: Department of Employment