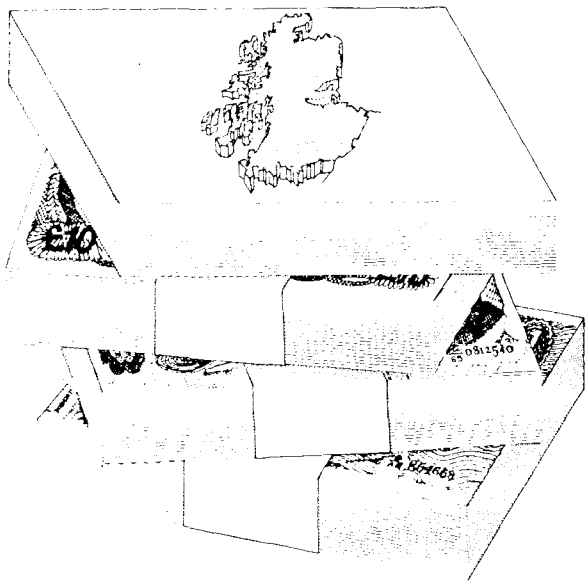
INDUSTRIAL PERFORMANCE



SHORT-TERM FORECASTS*

This issue of the Commentary contains the first set of output projections from the Institute's new short-term model of the Scottish economy. The model forecasts quarterly movements in the seasonally-adjusted Scottish output index for production industries (Divisions 1-4 of the 1980 SIC). Note that this excludes construction but includes SIC Class 13 (oil and gas). It is intended that subsequent Commentaries will also include quarterly forecasts of employment and unemployment. Details of the model are contained in the Briefing Paper in this issue.

In making the Scottish forecasts, the exogenous data on the UK output index for the forecast period are derived from the National Institute's projections (National Institute Economic Review, August 1991, Table 8).

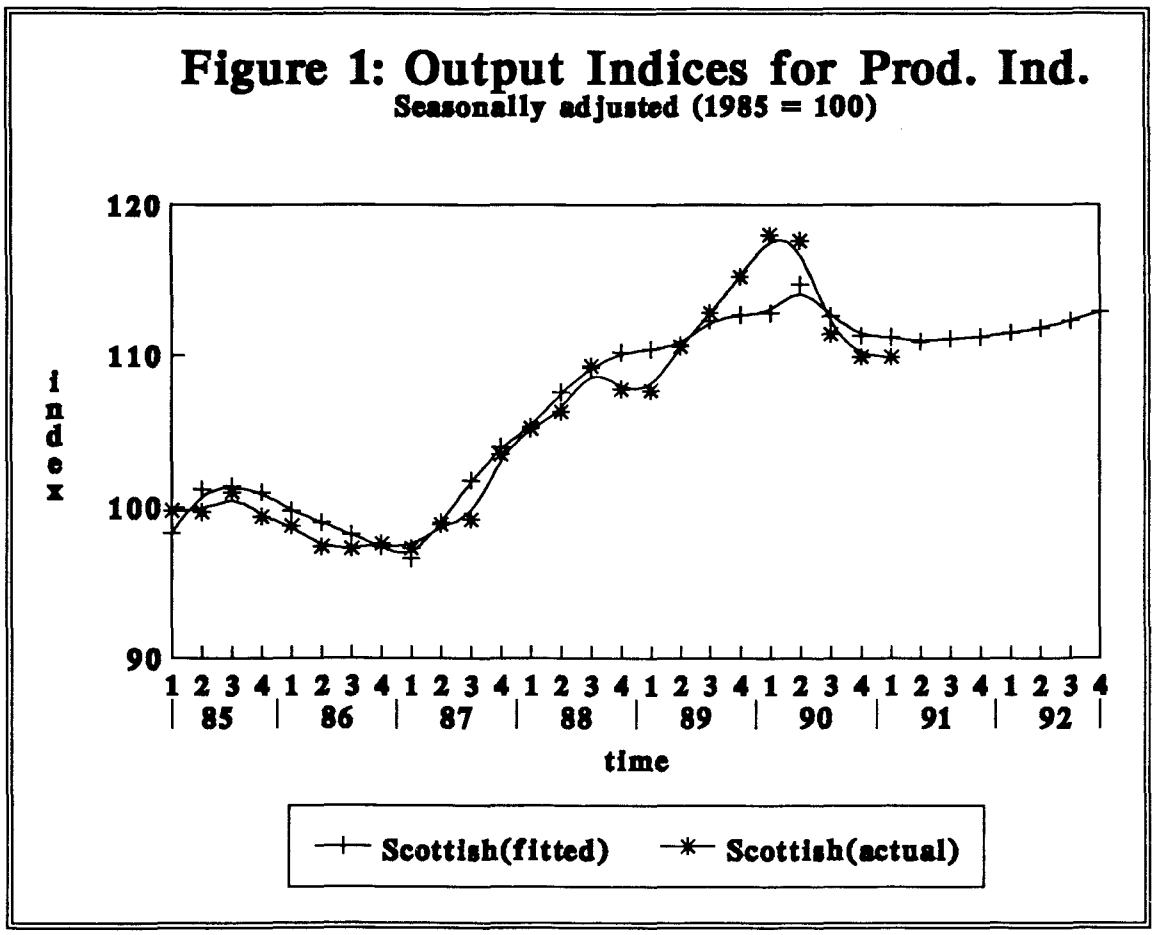
Figure 1 shows movements in the actual output index and in the index as predicted by the model, and also shows forecasts for the period 1991 Q1 to 1992 Q4. Further details of the actual and projected indices are shown in Table 1. From Figure 1 it can be seen that the model tracks the actual index well until 1989; it then underpredicts both the sharp rise in industrial production in the latter part of that year and into early 1990, and the subsequent slump in the second half of 1990. The index of production is subject to substantial revision, frequently going back over several quarters; subsequent short-term forecasts will incorporate the effects of these revisions as they are made public.

The model forecasts a fall of 1.5% in the output of the production industries during 1991 followed by a modest 0.9% recovery in 1992. In terms of a formal end to the recession in the production sectors, the turning point occurs in the third quarter of this year, but output growth remains hesitant in 1991 and throughout much of 1992. This is very much in line with the expected performance of the Scottish economy as a whole. The expected position of the index by 1991 Q4 is virtually unchanged from 1990 Q4. By 1992 Q4 it is projected that the index will be 1.5% above its position in the corresponding quarter of 1991.

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

	Actual	FAI Model
1988	107.1	108.1
1989	111.6	111.5
1990	114.3	112.9
1991	-	111.1
1992	-	112.1
1990 Q1	118.0	112.8
Q2	117.6	114.7
Q3	111.4	112.6
Q4	109.9	111.3
1991 Q1	109.9	111.2
Forecast		
Q2	-	110.9
Q3	-	111.1
Q4	-	111.2
1992 Q1	-	111.5
Q2	-	111.8
Q3	-	112.3
Q4	-	112.9
% Change		
1990/89	2.4	1.3
1991/90	-	-1.5
1992/91	-	0.9
90Q4/89Q4	-4.6	-1.2
91Q4/90Q4	-	-0.1
92Q4/91Q4	-	1.5

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



BUSINESS SURVEYS

Together, the Scottish Chambers' Business Survey (SCBS) and the CBI Industrial Trends Survey provide a reasonable guide to current and recent trends in the Scottish Economy. Both Surveys are conducted quarterly with results being derived from the members of the CBI and Scottish Chambers' of Commerce. While the two surveys are complementary in nature, there do exist important differences between them. Whilst the SCBS provides a geographical breakdown of responses, the CBI Survey provides information on trends by size of firms. The number of respondents to the SCBS is many times that of the CBI Survey and it covers not only manufacturing but also construction, wholesale distribution, retail distribution, financial institutions and tourism and leisure firms.

SCBS

In Manufacturing, there was a further improvement in the balance of optimism, with the percentage of respondents less optimistic than they were three months ago exactly equalled by those with more optimistic expectations. This net balance of 0% compared with the negative balances of 8% and 25% in the previous two quarters and therefore implied a continuing relative improvement in optimism, although business confidence can still be said to remain at historically low levels. A net balance of 27% of Manufacturing respondents were less optimistic than they were in the same period a year ago. This represented an improvement of 10 percentage points on the figure for the 1st Quarter 1991.

Within Manufacturing, there were four (from nine) sectors: Paper, Printing and Publishing; Miscellaneous Manufacturing; Textiles; and Food, Drink and Tobacco, which had net balances of respondents more optimistic than they were in the first quarter. This contrasted with only two sectors displaying positive net balances in the previous survey. Other Engineering suffered a marked decline in optimism and was the most depressed sector followed by Chemicals, Metal Manufacture and Mechanical Engineering.

In Construction, confidence worsened appreciably during the second quarter. A net balance of 25% of respondents were less optimistic than they were in the three months before the survey. This compared with negative balances of 13% in the previous survey and 32% in the fourth

quarter of last year. Similarly, a net balance of 50% were less optimistic than they were a year ago, a deterioration of 10 percentage points on the balance reported in the 1st Quarter survey. In Retailing and Wholesaling, optimism continued to be low with little change on the previous quarter. In Retailing, a net balance of 1% of respondents were less optimistic than they were three months ago, compared with 4% in the previous quarter, while in Wholesaling the respective negative balances were 5% and 2%, indicating a slight worsening of confidence.

Confidence amongst Tourism and Leisure respondents appeared to recover from the shock delivered by the Gulf War with a net balance of 12% of respondents reporting that they were more optimistic than they were in the first quarter compared with the negative balance of 5% recorded in the previous survey.

Orders and Sales

The deteriorating trend in orders and sales appeared to moderate in all principal sectors except Construction. This would appear to provide some justification for the relative improvement in business confidence reported in the 1st Quarter survey.

In Manufacturing, the balance reporting a decline in total orders and sales fell from 22% in the previous survey to 4% in the current period (orders) and 17% to 9% (sales). However, there was little relative improvement in demand from the domestic Scottish market compared with markets in the rest of the UK. The rest of the UK continued to be the most depressed market for Scottish manufactured products although the recession in demand is now only marginally worse than in the domestic Scottish market. Exports markets appeared to be holding up relatively better although there was evidence of a slight deterioration from the previous quarter and the growth in export demand failed appreciably to match respondents expectations from the previous survey.

In Construction, there was a further deterioration in new orders with a net balance of 43% of respondents reporting lower orders compared with 34% in the previous quarter. Demand from the public sector appeared to have suffered a further deterioration with Central government orders continuing to be the most depressed. In contrast, the rate of decline in private sector demand appeared to bottom out in the current quarter with a net 30% of respondents reporting a decline in orders compared with 33% in the 1st Quarter survey.

The trend in Retail sales appeared to be slightly upwards with a small net balance of 6% reporting an increase in sales. The previous survey reported the first decline in retail sales for several quarters. In Wholesaling the sales trend continued to be positive and is only slightly down on the previous quarter. In the Tourism and Leisure sector, demand continued to be significantly depressed across all markets despite the improvement in optimism. However, while there appeared to have been a relative improvement in demand from the rest of the UK and abroad, local Scottish demand deteriorated appreciably.

Manufacturers continue to run down stocks of both finished goods and raw materials with, respectively, balances of 16% and 25% reporting lower stock holdings, a worsening of the position in the previous quarter. Work in progress again appears to have fallen with a balance of 17% of firms reporting a reduction compared with 8% in the 1st Quarter.

In the financial sector the positive trend in advances continued into the present quarter. However, the trend in the growth of corporate advances appeared to moderated slightly while that for personal advances increased, the opposite of what occurred in the previous quarter. The trend in the demand for working capital remained significantly positive with a net balance of 69% of respondents reporting an increase, a rise of 10 percentage points on the previous quarter. Conversely, the financial institutions reported that the demand for finance for investment in buildings and plant and equipment fell further but by less than in the 1st Quarter. Manufacturing, Construction and Retail respondents all reported, on balance, downward revisions in investment intentions.

Expectations for the third quarter in Manufacturing and Construction are for further reductions in demand, while Retailers and Wholesalers expect, on balance, that demand will rise. It should be noted that expectations held in the previous quarter in Manufacturing, Retail and Wholesale were broadly realised, with the exception of manufacturers expectations of rising export demand which were not fulfilled in the present quarter.

Aberdeen and surrounding area remained generally buoyant and offered the strongest performance in the construction industry which is significantly depressed in all other areas. Fife performed relatively better in Manufacturing and Retailing, while Central turned in much the best Manufacturing performance during the present quarter.

CBI

According to the CBI, optimism among Scottish manufacturers declined sharply in the four months to July. This was indicated by a balance of optimism of -43% compared to -19% in the April Survey. This was the tenth successive survey in which companies reported that they were less optimistic about the general business situation. The CBI survey also noted that Scottish firms reported a sharper fall in optimism than in the UK as a whole.

Demand weakened markedly in the four months to July, pushing total order books further below normal. This was reflected in a weakening of both domestic and export orders, and at a slower decline export orders. During the current four months respondents expect the decline in demand to ease due to an expected increase in export

orders. With this weakened demand the proportion of firms that reported that they were working below capacity jumped sharply.

Scottish manufacturers reported the sharpest decline in output volumes during the four months to July since this question was first asked in April 1975, and at a faster rate than in the UK as a whole. This followed an accelerating downward trend in output since the middle of 1990. The decline in output is expected to slow but not as much as in the rest of the UK. Firms ran stocks of finished goods down for the third survey in succession. The decline was more than had been anticipated in the April Survey. During the current four months firms expect to continue to de-stock, though at a slower rate. The major constraint on output remained a lack of orders or sales and was cited by 87% of respondents. This factor increased in importance with the weakening of demand.

Investment intentions in plant and machinery improved during the four months to July. Scottish manufacturers expect to reduce investment in the twelve months following the Survey, though not by as much as respondents in the UK as a whole.

25% of respondents expect to invest in increased capacity during the coming year, well below the 33% reported in the July 1990 survey. Uncertainty about demand remained the most likely factor cited to limit investment. At the same time, the number of firms which expect to be constrained by inadequate net return and internal finance shortages rose since the April Survey.

Manufacturing firms in Scotland continued to cut back on employment at a rate of decline more severe than was expected from the previous Survey, but at a marginally lower rate than in the UK as a whole. More than half of Scottish manufacturing respondents reported a cut back in employment in the four months to July. Only 3% of firms increased employment and only 5% expect to increase employment in the four months to November.

The growth of average costs slowed since the previous survey to a level considerably below that of a year ago. Respondents reported that average unit costs rose during the four months to July and expect them to continue to rise in the four months from July.
The average prices at which domestic orders are booked declined in the four months to July for respondents. A balance of -6% of firms reported a cut in prices as demand conditions further weakened. A balance of -2% of firms expect to cut prices in the four months to November.

Optimism about export prospects remained broadly unchanged in the four months to July. Firms anticipate an increase in the volume of new export orders, notably smaller firms (less than 200 employees). The volume of new export orders continued to fall and by more than had been expected in the previous Survey. Export order books have now improved but are still below normal. Price was the factor most likely to limit exports and was cited by 57% of respondents. With the end of the Gulf War and an anticipated recovery in the USA, political and economic conditions abroad declined in importance. Scottish manufacturers reported that average export prices remained unchanged in the four months to July; respondents expect a small pick up in export prices in the four months following the Survey.

PRIMARY

AGRICULTURE AND FORESTRY

A plan for introducing a Lowland Croft scheme to Harburn, in West Lothian, is at present being considered by West Lothian's planning committee. The scheme is of considerable interest as it represents the first embodiment of the idea, proposed a few years ago by Dr Jim Hunter, former director of the Crofters Union, to modify the concept of crofting and introduce it into lowland areas. The Lowland Crofting Scheme is intended to diversify the rural economy, provide employment for multiple family units where previously there may have been only one, to rejuvenate derelict land, and to alter land use in a direction that is likely to be more in tune with the European Community's emphasis on diversity and small-scale (and sometimes part-time) farming.

In the implementation of this scheme, it is important to ensure that land allocated to lowland crofting does not have a high opportunity cost; i.e. that the changed use does not forego valuable alternatives. In the case of Harburn, proponents of the scheme argue that the proposal would use land of low quality, would not interfere with wildlife or landscape amenity and could provide scope for small businesses, recreation and repopulation of the area.

However, the scheme would split a working farm, and some local residents are unhappy with the choice of site. Given that West Lothian Council estimate that about one third of the district's land area could eventually be affected by the scheme, it will be of some interest to see whether this proposal is accepted and if so, how the crofting development proceeds in the near future.

The financial squeeze in which the Scottish agricultural industry currently finds itself has been reflected in the demise of Scottish Agricultural Industries (SAI). This company, a wholly-owned subsidiary of ICI, will disappear by the end of 1991, with an expected loss of 200 jobs.

SAI is an agricultural supply merchanting company, with a £160 million turnover, accounting for over 20% of Scottish farm supply trade. The fertiliser and agrochemicals components of the business have become unprofitable since the mid 1980s. ICI has been unable to sell SAI as a going concern, although some parts of the business have been saved through management buy-outs.

With livestock farm prices in Scotland being at low real levels, and little prospect existing for medium term price increases, the Scottish livestock farming industry is placing greater emphasis on quality control and the provision of top quality farm produce. Pig and lamb producers can already participate in the "Pigs Initiative" and "Farm Assured Scotch Lamb" schemes, giving quality assured labels to their products, and a similar scheme for beef is now ready for launch. The Scottish National Farmers' Union (SNFU) is proposing that these existing schemes be incorporated in an umbrella "Best Practice" scheme, with the assurance being extended to other products, including cereals and ornamental plants. The SNFU believes that if the whole industry participates vigorously in the scheme, it can be in a strong market position at the top end of the lucrative European market.

The future of Scotland's soft fruit industry, predominantly located in Tayside (which produces 20% of the European Community crop) continues to be bleak. Fruit prices remain below break-even levels, and the competition from Eastern European growers shows no signs of diminishing in intensity. Import controls on soft fruit from Eastern Europe (mainly Yugoslavia and Poland) have been extended by the European Community (EC) until 25 September. These controls are intended to set a floor price for soft fruit, by establishing a minimum import price of £400 to £450 a tonne for raspberries and strawberries. These price levels are considered to be too low by the UK government and by Scottish growers, the latter considers £600 a tonne to be the minimum acceptable.

Meanwhile, the government has extended for three months the price subsidies on which Scottish growers have come to rely to reach break-even levels. The £150 a tonne subsidy will continue, but not for as long as growers had wished.

While prices are low because of high European supplies, the Scottish harvest is the lowest in living memory. Output has fallen over the past two years from 17,000 to 10,000 tonnes, with a forecast harvest drop in 1991 to just 6,000 tonnes. Not surprisingly, the acreage devoted to soft fruit has been reduced, by 20% since 1990.

The issue of EC farm support reform continues to cause concern for the future of agriculture in Scotland. Plans currently under discussion in the EC Commission include the following elements:

- A 4% cut in milk quotas, plus a 10% price cut for milk producers with over 43,000 gallons a year turnover.
- A 35% cut in some cereal prices, offset to some extent by a "deficiency" style payment, or by land set aside compensation.
- A 9% cut in beef support prices, but with some headage support introduced for low intensity beef producers.
- Limitations being imposed on the extent of the ewe premium for sheep meat.

The set-aside payment rates for 1991/92 were announced in June. They will be available to farmers who set aside at least 15% of the 1991 arable area and also reduce their cereals area by at least 15%. The payments vary depending on area set aside and type of farmland from £79.20 to £121.20 per hectare. Additionally, farmers selling grain in the year after July 1991 will be entitled to a refund of the co-responsibility levy at the rate of £6.70 per tonne.

In July 1991, the Forestry Commission (FC) published a major study into the future of forestry in Britain. Its main recommendation is for the creation of up to one million hectares [2,471,054 acres] of woods and forests, from land taken out of farming. The FC suggests that is proposals will ease European agricultural over-production, help tackle global warming, provide additional revenue from commercial timber, and contribute to benefits from recreation.

The report advocated the idea of community forests located near rural areas, and suggests the expansion of nature pinewoods and birchlands in Scotland. It recognises the importance of moving away from intensive afforestation schemes that have aroused so much criticism in recent decades. The novelty of the study, and its associated report, is a thorough focus on managing woodland and forest development to take account of agricultural needs, alternative land uses, water quality, wildlife habitat and landscape amenities. Four types of new forest have been identified as desirable:

(i) small forests close to towns, designed for the public.

(ii) mixed forests in upland/lowland margins for commercial, social and environmental benefits.

(iii) small woods on farms for sporting, wildlife and landscape reasons.

(iv) restored nature woodlands.

The present woodland/forest incentive structure is, however insufficient to allow the target of 33,000 hectares of new planting per annum to be achieved. One step in the direction of improving the set of incentives has been taken with changes, announced in June 1991,to the Woodland grant Scheme. The two main elements to the changes are:

(i) the opening of the scheme to applications for management grants for the assistance of developing goods silvicultural practice and the enhancement of the environmental value of woodlands.

(ii) a widening of planting rants to encourage sustainable multiple-use forestry.

Grant payments can now be obtained, therefore, for conserving woodland (of any age), for increasing public access or recreation, for planting small woods, and for consultancy fees in the development of management plans. These changes have been welcomed by many environmental bodies, as have the recommendations of the FC reported above.

FISHING

Figures for fish landings into Scotland for the first four months of 1991, compared with the equivalent four months one year earlier, are presented in Figure 1.

The value of fish landed into Scotland by UK vessels for the period January - April 1991 was £81.1 million. This was an increase of 15% over the equivalent period in 1990. All three major categories - demersal, pelagic and shellfish - were landed in greater volumes, with shellfish showing a particularly marked rise in weight of landings (by 70%). The volume increases are, to a large extent, the consequence of adverse weather conditions in the spring of 1990 not being repeated in 1991.

With fish prices remaining firm for most species, and showing increases towards the end of the period reported in these statistics, values of catch were increased for the majority of species. However, the value of two important demersal species, haddock and cod, fell. Haddock volume landings fell by 18%, whereas whiting price fell to very low levels in the first quarter of 1991 (but have subsequently recovered).

It may be useful to set present day catch levels in a historical context, in order to see how the role of fishing in the Scottish economy has changed. Figure 2 shows the value and weight of fish landings into Scotland (for all species, and for demersal and pelagic separately) for selected years from 1948 onwards.

Total weight landings exhibited a trend increase in the early 1980s, reaching a peak of 592.6 thousand tonnes in 1985. Thereafter, landings showed no systematic variation until the end of the 1980s, with the 1989 catch being the lowest since 1983. Nevertheless, in terms of volume of output, current production remains high by historical standards, and does not suggest an industry in absolute decline. A considerable part of the output fall in the 1980s is associated with reductions in demersal catches, which were in 1989 only 83% of their 1970 level. Pelagic landings have not fallen in the late 1980s, and indeed are substantially higher now than in the pre-1970 period.

Landings, measured in value terms, are shown on the right hand side of Figure 2. The series are in current price terms and (where enclosed in parentheses) in real or constant price terms. The latter (real price) series have been obtained by deflating revenues each year by the value of the retail price index. The total value of landings in 1989 was 40% higher than in 1948, reaching a peak in 1987. Since that date, value of landings has fallen, particularly reflecting lower landings of the more valuable demersal species. Nevertheless, the real value of fish landed still remains higher than it has been prior to 1980.

What has happened to employment in fishing in Scotland? Figure 3 provides data on employment in selected years from 1938. An interesting fact evident from this data is that employment falls consistently from late 1938 until the middle 1980s, after which it has increased consistently. During this latter period during which employment has risen (particulary amongst regularly employed men), the volume of output has been falling in general. It would be difficult to find another major sector in which this is true. A conjecture is that fishing effort has risen,but the weight of catch has fallen because of a combination of reduced stock levels and smaller average fish size. This would certainly be consistent with recent evidence on stocks and catch size.

Finally, Figure 4 illustrates the recent changes in the size of the Scottish fishing fleet. The total weight of fishing vessels has increased significantly (by over 44%) in the period from 1984 to 1989. Increases are also clear in terms of numbers of vessels (both of all sizes and those over 30 feet). At a time when it is generally recognised that incentives need to be created for reducing the fleet size, this is a rather worrying trend.

CONSTRUCTION

The latest index of production and construction figures for both Scotland and the UK are down by 2.6% giving respective indices of 105.5 and 120.3 for the first quarter of 1991. Comparing the latest four quarters on the preceding 4 quarters shows that Scottish output rose by 2.1% whilst that of the UK as a whole fell by 1.5%. This comparison further supports the view that the Scottish construction industry has been performing less poorly than that of the UK as a whole, as was expounded in the previous Commentary.

The recent Scottish Chambers' Business Survey (SCBS) for the second quarter of 1991 shows that business confidence in the Scottish construction industry has deteriorated considerably, declining from a first quarter balance of -13% to a balance of -25%. All the SCBS areas returned negative balances, even the Aberdeen area is now negative with a balance of -6%. Optimism in Central region was the most depressed of all with a balance of -67%. Overall a balance of 50% of respondents are now less optimistic than they were in the same period last year.

Total new orders declined for a balance of 43% of firms and a net of 27% of respondents expect total new orders to continue to decline. A balance of 61% of respondents

FIGURE 1 FISH LANDINGS IN SCOTLAND: JANUARY TO APRIL 1991 - COMPARED WITH JANUARY TO APRIL 1990

	JAN TO APRIL 1991			91 AS % OF 90		
	Weight Tonnes	Value £000	Price £/T	Weight %	Value %	Price %
Landings by UK vessels						
Demersal	49,460	55,332	1,119	112	106	95
Pelagic	76,865	9,264	121	111	114	103
Shellfish	11,904	16,495	1,386	170	161	94
Cod	9,756	13,057	1,338	116	120	103
Haddock	10,906	14,432	1,323	82	88	108
Whiting	12,154	7,137	587	138	91	66
Saithe	3,952	2,046	518	138	115	84
Dover Sole	7	22	3,143	58	51	88
Hake	713	1,509	2,116	156	142	91
Lemon Sole	639	1,073	1,991	98	100	102
Ling	1,008	850	843	118	115	97
Megrims	904	1,461	1,616	149	140	94
Monks	3,239	7,339	2,266	114	119	104
Plaice	1,578	1,538	975	107	130	122
Skate	1,339	871	650	110	94	85
Sandeels	30	-		10		
Dogfish Spur	1,603	2,029	1,266	161	136	84
Witches	689	847	1,229	120	122	102
Mackerel	70,645	8,725	124	113	115	102
Herring	3,165	392	124	106	106	100
Brown Crabs	868	1,074	1,237	148	146	98
Green Crabs	110	52	473	126	133	105
Velvet Crabs	378	757	2,003	170	167	98
Lobsters	86	868	10,093	191	148	77
Pink Shrimps	13	15	1,154	8	8	106
Squid	475	411	865	171	118	69
Scallops	1,298	2,236	1,723	115	111	96
Norway Lobsters	4,114	9,809	2,384	191	192	101
Queen Scallops	1,763	660	374	132	146	110
Periwinkles	594	350	589	122	121	99
Total by UK vessels	138,229	81,090	587	115	115	100
Landings by foreign vessels	2,831	718	254	30	56	189
Total landings in Scotland	141,060	81,808	580	108	114	105

SOURCE: Scottish Office

FIGURE 2 FISH LANDINGS INTO SCOTLAND BY UK VESSELS

YEAR	LANDINGS BY WEIGHT (000 TONNES)			LANDINGS BY VALUE (£M)					
	Demersal	Pelagic	Total	Demersal		Pelagic		Total	
1948	170.5	155.0	329.7	8.4	(101.2	3.3	(39.8)	12.0	(144.6)
1960	171.0	92.7	270.9	11.8	(89.3)	2.0	(15.2)	14.7	(111.4)
1970	250.6	146.2	419.4	19.0	(96.9)	4.3	(21.9)	27.2	(138.8)
1980	230.0	113.8	371.4	84.5	(119.5)	9.7	(13.7)	113.6	(160.7)
1982	296.2	172.9	498.2	106.4	(123.9)	18.5	(21.5)	148.7	(173.1)
1983	292.8	173.6	499.1	121.1	(134.9)	20.0	(22.3)	170.2	(189.5)
1984	282.7	226.0	543.3	136.6	(144.9)	24.4	(25.9)	193.9	(205.6)
1985	294.7	263.1	592.6	147.2	(147.2)	29.0	(29.0)	215.1	(215.1)
1986	281.8	234.7	551.3	163.1	(157.7)	25.4	(24.6)	234.5	(226.8)
1987	263.8	272.2	574.9	186.5	(173.2)	31.0	(28.8)	273.6	(254.0)
1988	252.6	257.9	554.9	165.2	(146.2)	30.2	(26.7)	253.1	(224.0)
1989	208.3	257.3	510.6	158.6	(130.1)	29.0	(23.8)	246.9	(202.5)

Note: Figures in parentheses are constant price series

SOURCE: DAFS

FIGURE 3 FISHERMEN EMPLOYED: SCOTLAND

YEAR	REGULARLY EMPLOYED	PARTIALLY EMPLOYED	TOTAL
1938	12,976	4,939	17,915
1948	12,080	5,148	17,228
1960	8,795	2,451	11,246
1970	7,656	1,441	9,097
1978	7,863	1,378	9,241
1979	7,613	1,211	8,824
1980	7,561	1,138	8,699
1981	7,376	1,085	8,461
1982	7,247	937	8,184
1983	7,173	902	8,075
1984	7,198	899	8,130
1985	7,170	932	8,102
1986	7,244	992	8,236
1987	7,522	970	8,492
1988	7,672	1,039	8,711
1989	7,862	920	8,782

SOURCE: DAFS

FIGURE 4 SCOTTISH FISHING VESSELS

YEAR	TOTAL VESSELS OVER 30 FEET	TOTAL ALL VESSELS	TONNAGE
1984		2,186	54,364
1985	1,396	2,198	55,724
1986	1,392	2,183	58,005
1987	1,453	2,263	61,869
1988	1,494	2,334	72,245
1989	1,515	2,424	78,455

SOURCE: DAFS

experienced a decline in orders from central government; orders from the rest of the public sector were down for a net 52% of respondents and a net 30% experienced a decline in private sector new orders. The only positive balance for new orders was reported in the Aberdeen area but only in private sector new orders. Aberdeen is also the only area expecting a positive trend in new orders for the third quarter, for a net 6% of respondents.

Construction firms are on average utilising less capacity than they were in the previous quarter. A net balance of 51% of construction respondents are now utilising less capacity than they were in the same period a year ago. The amount of work in progress declined for a net 37% of respondents during the second quarter. A net of 25% of respondents expect work in progress to continue to decline in the third quarter 1991. The factor most likely to limit output during the third quarter is orders or sales which was cited by 87% of respondents. Investment intentions in buildings and in plant and equipment fell for nets of 23% and 24% of respondents respectively. A balance of 21% of respondents expect investment in buildings to continue to decline and a net 28% expect investment in plant and equipment to show a similar trend.

SCBS respondents report a further deterioration in employment, with a balance of 39% experiencing a reduction in their employment requirements during the second quarter. This reduction is expected to continue in the third quarter for a net of 22% of respondents. Once again the Aberdeen area is the only one to return a positive balance, with a net 6% of respondents experiencing increased employment in the second quarter and a net of 12% expecting their employment requirements to increase in the third quarter.

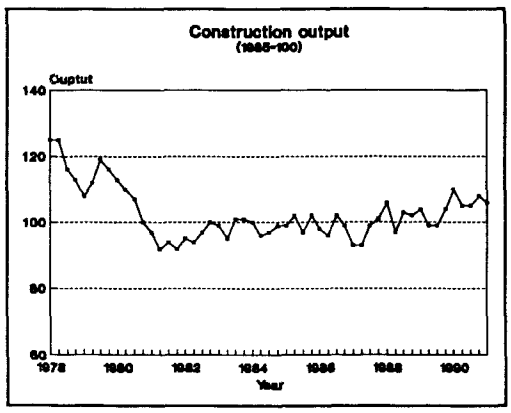
Forty per cent of construction respondents attempted to recruit during the second quarter; 17% of these firms experienced increasing difficulties in recruiting. The main areas of difficulty were experienced by firms attempting to recruit skilled manual, technical and professional and managerial staff.

Of the 32% of respondent firms who authorised wage increases during the second quarter; the average increase was 7.8%. This compares with an average increase of 9% reported for the first quarter 1991 in the previous SCBS.

The Department of the Environment (DOE) figures for contracts obtained by contractors in the building industry for the first quarter of 1991 have recently been published and show that the value of Scottish contracts has fallen from £546 million in the fourth quarter 1990 to £492 million, a fall of 9.9%. When comparing Q1 1990 with Q1 1991 there is an increase of 9.6%; however, as both figures are in current prices this will nearly all be accounted for by inflation.

The value of new orders for Great Britain as a whole fell by 1.1% to £4,697 million from the previous quarter and was down 23.7% from the first quarter 1990 figure of £6,159 million to £4,697 million in the first quarter 1991. This reflects the relative severity of the recession in the South East of England, pulling down the GB figures. Scotland's structural differences have also been instrumental in easing the recession, despite contracting local government spending.

Scotland's 10.5% of new orders obtained by contractor in Great Britain can be further sub-divided to give a regional breakdown. As one would expect, Strathclyde (with £194 million) takes the lion's share with 39.4% of Scottish new order contracts; Grampian is next with 15.7% (£77 million) reflecting the continuing importance of oil related construction work; Lothian is close behind with 14.4% (£71 million) and the remaining areas account for the rest as follows: Tayside 8.1%; Dumfries and Galloway 7.5%; Fife and Central both with 4.9%; Highland 3.7%; Orkney, Shetland and the Western isles 0.8% and lastly Borders region also with 0.8%.



The second quarter of 1991 saw NHBC application for housing starts in Scotland rise by 200 (6.3%) to 3,400; this is however the lowest second quarter figure since 1987. The second quarter is historically the peak quarter for applications. Second quarter completions in Scotland were up 600 (22.2%) to 3,300, the highest since 1989, Q4.

The picture in Great Britain is however different. Starts rose by 16.2% to 36,600 in the second quarter and completions rose by 5.9% to 35,700. Comparing Q2 1991 with Q2 1990 reveals a fall of 17.1% in Scotland and an increase of 2.2% in Great Britain as a whole for housing starts. Housing completions over the same period remained flat in Scotland but fell by 10.8% in Great Britain.

These figures show that Scotland is lagging behind the rest of the country and that whilst England is beginning to improve, Scotland is improving more slowly. Once again it is worth mentioning that Scotland, although not as severely affected as the South of England by the recession, fell from (proportionally) much lower height and will consequently not be expected to "bounce" back

as quickly when the upturn comes.

Comparing the last two 12-month periods for Scottish regional starts shows an overall decline of 19%. This compares with a UK (and coincidentally GB) decline of 10% and further shows Scotland lagging behind. The largest percentage falls were recorded by Dumfries and Galloway (34%) and Lothian and Borders (each with 32%) followed closely by Strathclyde with a fall of 31%). The surprise bright spot was Central Region which recorded a 44% increase in applications for housing starts.

UK wide there is evidence of a modest recovery in the housing market. After the house price falls in 1990 and the stabilising of the market in the first quarter of 1991, house prices rose by 1.8% overall in the second quarter. This is the first quarterly rise since the second quarter of 1989. The recent series of mortgage interest rate cuts appear to be working their way through to the housing market helping to create greater confidence and increased activity. However, progress appears to be patchy as levels of activity seem to vary from one region to another.

House prices in Scotland rose by 2.8% over the quarter, the second successive quarterly rise. This gives an annual rise of 4.6% , the second highest throughout the UK, and is beaten only by the North of England with a quarterly change of 6.6% and an annual rise of 11.1%.

Industrial property rents have grown in Scotland in the first half of the year against a mixed picture of static and declining rents in most other regions of the UK. Only Scotland (2.1%) and the North of England (2.8%) showed any growth while rents declined by up to 3.2% in four of the ten regions studied in the latest half-yearly research document from the Property Rent Indices and Market Editorial from Healey & Baker the commercial property estate agents and valuers. Supply difficulties, especially in the warehouse and industrial sector and the lesser recessionary effect in Scotland has contributed to the rise.

Over the last year industrial property has proven to be the most resilient sector of the market with an average increase in rents of 6.6%. The effect of the downturn in the retail market has now reached Scotland where rents have fallen by 1.9% since December 1990, giving an annual rate of decline of 1.5%.

In the last six months, office rents have outstripped inflation in Scotland largely as a result of the resurgence of the oil industry in Aberdeen (as reflected in recent SCBS).

This picture of demand still out-stripping supply must be encouraging to constructors and to the future development of out of town developments. Tilbury's giant 1 million square feet scheme close to Glasgow Airport stresses proximity to the airport and motorway access in order to attract national as well as local businesses. There is a proposed scheme at Port Dundas and Hamilton District Council have given planning permission for a prestigious new development which will create up to 500 jobs. Hamilton Business park will provide more than 100,000 square feet of modern office and business accommodation and signifies a welcome boost for Lanarkshire following the recent steel closure announcements.

The Spanish public and infrastructural works specialist Tibest Tres a company jointly owned by Cubiertas and Entrecanales have taken a 21.5% stake in the Glasgow based construction and contracting group Lilley. This deal with enable Lilley to cut gearing by raising £24 million through an issue of new ordinary shares. Lilley for its part is to invest £8.35 million in Cubiertas shares in what is billed as "extensive co-operation arrangements" giving them a 2% interest.

While there is considerable agreement that the construction industry in Scotland will not suffer as badly in the current recession as its counterparts south of the border, it is not escaping unscathed. A recent paper for the Building Material Producers (BMP) states: "the construction industry as a whole in Scotland appears to be in that period of change which normally comes before a fall in activity". BMP go on to state that the downturn will however be lumpy with energy related areas faring less badly than those areas more dependent on the service and manufacturing industries.

On the other hand the Scottish Building Employers' Federation (SBEF) say that there is an upsurge in enquiries suggesting that the current economic difficulties may be bottoming out. The latest SBEF state of trade report indicates a slowing down in the fall-off in workload amongst members, giving rise to a more optimistic outlook.

Despite these apparent contradictions it is felt that the end (of the recession) is in sight and that 1992 will be the start of recovery.

ENERGY

OIL AND GAS

The Royal Bank/Radio Scotland oil index reached a low of 88.9 in May before recovering steadily to a July value of 113.4, the latter representing output of 1.87 mbpd. Brent field production doubled to 176 tbpd from June, and most other large fields were at, or near, normal production levels following the completion of maintenance and safety work.

The rise in output, coupled with an increase in the dollar price of crude and an unchanged dollar/sterling exchange rate, yielded an average daily oil output value for July of £21.9 million, the highest sterling value in 1991. The price of Brent crude remained between $18-$20 per barrel during June and July.

The OPEC Secretariat estimate that the cartel produced 22.96 mbpd during Q1 1991, very close to the estimated 23.02 mbpd global requirement from OPEC. In Q2 1991, OPEC production fell to 22.45 mbpd, but this was rather more than daily demand of 20.95 mbpd. However, this surplus of 1.5 mbpd is less than in the corresponding period in 1990 (2.35 mbpd) and, if last year's pattern is followed, OPEC's production/ requirement balance will become negative in the third quarter.

The deteriorating performance of the Soviet oil industry has been recognised for some time. However, the abortive coup in August brought the situation into sharper focus, and led to a firming of world oil prices, with Brent rising above $20 pb. Still the world's largest producer, USSR output fell from 12.6 mbpd in 1987 to 11.5 mbpd in 1990. A further decline to 10.8 mbpd in 1991 is expected. However, the worsening state of the Soviet economy generally has reduced domestic demand for oil from 9.0 mbpd in 1987 to 7.9 mbpd (provisional) in 1991.

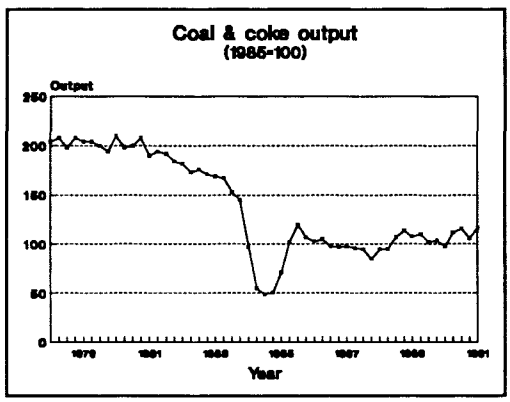
Thus, the USSR continues to have exportable surpluses of crude production: 3.6 mbpd in 1987, 3.1 mbpd in 1990 and 2.9 mbpd (provisional) in 1991. In 1990, Soviet net exports of 167 million tonnes were significantly greater than UK production of 92 million tonnes. Soviet exports go to two principal market areas: non-OECD Europe (through long-standing bilateral and multilateral agreements), and OECD Europe (through open market transactions). In 1990, the USSR met most of non-OECD Europe's oil demand of 1.9 mbpd and exported 1.6 mbpd to OECD Europe. The Soviet Union ultimately wishes to base all of its oil export transactions in terms of world market prices and convertible currencies. However, the weak states of its client economies in central/eastern Europe, and their chronic lack of hard currency, have led to a series of "transitional" arrangements being agreed.

In order to maintain oil production in the medium term, the USSR will have to import Western technology and expertise, creating a potential market which has been valued at £2 bn per annum. In theory, this should create opportunities for British, and specifically Scottish, oil supply companies; however, at present UK oil-related firms only have 1% of the Soviet market.

ELECTRICITY, COAL AND NUCLEAR ENERGY

Both privatised electricity companies have, unsurprisingly, reported financial results in line with their privatisation prospectuses. For ScottishPower, this has led to pre-tax profits of £144.7 million, up from £130.0 million the previous year. Turnover increased by 9.29% from £1136.6 million to £1242.2 million. Hydro-Electric's pre-tax profits increased from £50.1 million to £60.3 million on turnover of £566.1 million, an increase of 26.4% from the 1990 figure of 447.7 million.

Hydro-Electric have recently concluded a deal of unknown size with Electricité de France to allow them to resell power from the England-France interconnector. The need arose for this deal because Hydro-Electric have already fully sold their quota of power from the Scotland-England interconnector. Hydro-Electric's avowed strategy is to build up a customer base south of the border in preparation for the construction of a power station in England. New customers for Hydro-Electric are the distribution companies Eastern Electricity and East Midlands Electricity. Options contracts have been signed with both firms, while the former also has a seven year supply contract.



A report by Oxford Economic Research Associates (Oxera) suggests that many of the new power stations planned by entrants to power generating in England will not be constructed. This is because the two large generating companies in England and Wales, National Power and PowerGen, have sufficient market power to manipulate spot market prices. Certainly, ScottishPower have complained that unit prices have fallen by over 3.6% in the last year for the deregulated or 'franchised' customers, those using over 1MW of power. With only the leading five independent generating plants constructed plus those from the two large generators, Oxera see excess capacity increasing from 30% to 40-52% by 1995. This would permit the large generators to remove 6000MW to 8000MW of older coal-fired capacity. The alternative could be a price war, in which the larger firms would have the advantage. In the longer term, once the switch to gas-fired generation has been made, fewer new power stations will be required.

ScottishPower have also recently been increasing 'exports' to England and Wales, which now account for some two billion units, 9% of sales. The firm states that the impact on profits from the progressive closures at the Ravenscraig steel plant will be 'not serious'.

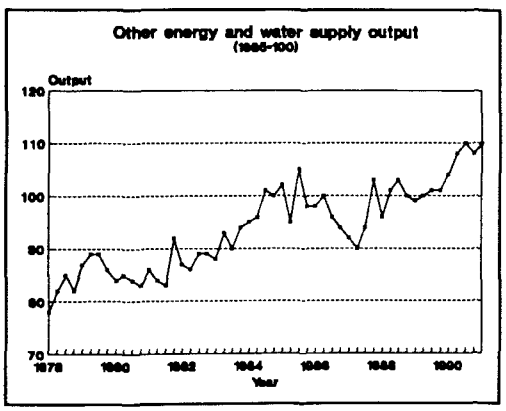
The government have refined their policy on nuclear research, following a report by the Commons Energy Committee that stated that too much was being spent in this area. Research is now to be funded by industry. In particular, the government have confirmed that they will not fund the prototype fast reactor at Dounreay beyond

March 1994. Spending overall is to be cut by a third by 1995. The nuclear industry has pointed out that most 'research' expenditure has been spent on Dounreay operating costs and on fusion research. In the private sector, National Power are reducing their research and technology department by 75%.

Scottish Nuclear, the state-owned firm which operates all Scotland's 'commercial' atomic plants, have suggested storing spent fuel on-site at their Hunterston and Torness plants, instead of a Sellafield in England. This move is seen as saving 20% of the firm's annual £370 million operating costs and would require £15 million investment at each site. Scottish Nuclear have cut their loss from £189.9 million to £32.5 million, as a result of the government's write-off of much of their debt. Turnover is down marginally at £422.5 million. The continuing losses represent an effective subsidy, as costs per unit, at 3p, are 50% higher than those at modern fossil fuel plants.

The subsidies to Scottish Nuclear are not available to other Scottish non-fossil generating sources. In England and Wales no subsidy applies, though the 'nuclear levy' is available to all non-fossil sources of power. This policy remains a distortion of the market.

Coal use in industrial countries has been forecast by the International Energy Agency (IEA) to grow by an average of 1.2% a year to 2000, despite expected declines in most of Europe and North America for environmental reasons. This figure represents a small downward revision, compared with the previous year's forecast. The world coal trade is expected to grow by almost half from 1990 to 2000, as European countries close down uneconomic coal industries.



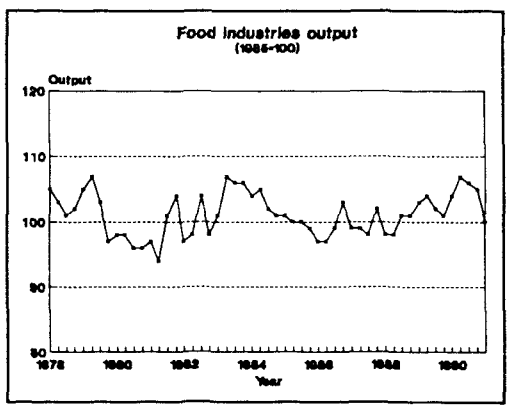
The Commons energy committee have called for a subsidy to save the UK coal industry, as a result of this global uncompetitiveness. The aims behind such a subsidy would be to ensure 'energy security' and reduce the social costs of coal closures. The EC have similarly suggested a Europe-wide subsidy regime; within Europe, Britain produces the cheapest coal. The subsidy issue has become more urgent since the privatisation of the electricity industry. British Coal's contracts with the two large coal-using generators expire in 1993. Their renewal is widely expected to be on a smaller scale at prices low enough to force some 40% of coal capacity to close. The protectionist argument is predicated on the assumption that the increase in the international coal trade, outlined above, will lead to higher and more unstable prices. Perhaps a more compelling concern is the macroeconomic impact of a large increase in imports under a fixed exchange rate regime. The possibility exists, at least in theory, of these coal imports being partly offset by exports generated through the consequent energy cost reductions.

The Commons energy committee report also called for substantial investment in 'clean coal' technology. The Department of Energy's report on the subject is to be published soon.

British Coal have decided not to reopen Monktonhall Colliery, a low-sulphur coal pit. Instead, it has invited private companies to tender for operating the mine. British Coal stated that substantial investment would have been required.

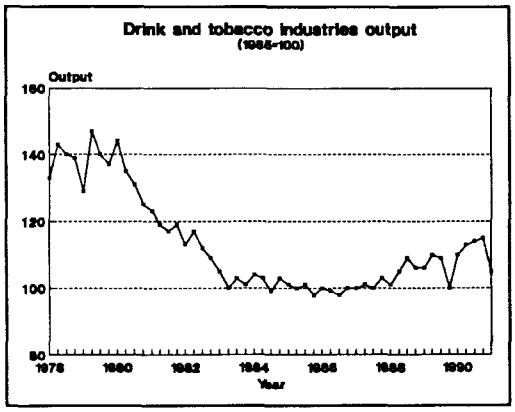
FOOD, DRINK AND TOBACCO

The drawbacks of relying on recently published official statistics to guide interpretation are amply illustrated by the apparent recent behaviour of the output of the food industry in Scotland. The 7% drop in output between the third and fourth quarters of last year and discussed in the last issue of this Commentary has now been revised almost to extinction, replaced by a much smaller fall of under 1% which suggests that food industry output has in fact been holding up well. However, output in the first quarter of the year is now reported to have fallen by a full 5% which, if correct, would represent the largest quarterly fall in the last 5 years. Over the year to the first quarter of 1991, food industry output in Scotland is reported to be static, roughly in line with the performance of the rest of the UK.



The index for drink and tobacco exhibited an even larger fall in the early part of this year, down 9% in comparison to a drop in UK output of only 2%. If confirmed, this would be the first significant drop in output in Drink and

Tobacco output recorded by the index, following a strong surge in growth between 1989-90.



The more recent data available from the Scottish Chambers' Business Survey shows that Food, Drink and Tobacco companies do expect some modest increases in growth (or less severe reductions in orders) to occur in the near future - for example, a net 9% of respondents expect export orders to increase relative to present levels and a net 15% expect UK orders to level off from their present downward trend. However, a majority (68%) still expect that lack of orders will be the major factor constraining output in the short term. This compares, for example, to only 4% who cite lack of skilled labour as a constraining factor. Overall, the most likely prediction for the near future is that the industry will continue to follow the relatively static trend in output which it has now exhibited for some years.

Recently, there have been some noteworthy developments in the company sector. The Coatbridge company John J Lees is, at time of writing, in the middle of being purchased by the Gateshead based Northumbrian Fine Foods. The sale appears to have been the cause of some friction in the boardroom and to have occasioned the resignation of two Lees non-executive directors, but now seems almost certain to proceed. Northumbrian and Lees operate across similar markets and the desire to create a bigger group is probably the major reason behind the merger. One possible source of advantage to Lees, however, is access to Northumbrian's marketing strength, given that the company has strong distribution links to many supermarket chains. Lees appears to have been in good health prior to the sale, having posted a 32% rise in profits in July on the back of a 21% rise in turnover to £10 million.

Scottish & Newcastle is another company to report a strong rise in both profits and turnover, with profits rising 18% to £216.8 million last year. However, some £65 million of this accrued from the companies leisure interests, a rise in profits of over 50%. Not surprisingly, S & N is planning further excursions into the leisure industry, for example, it is currently building a new £70 million leisure park at Longleat. In fact, reflecting this diversification, it is to drop the term "Breweries" from its name.

The company has used some of this money to acquire part of the Stakis group's interests, spending £22 million on 25 pubs, 5 off-licences and 5 discotheques, significantly increasing its presence in the west of Scotland where it has until now been relatively week. The £22 million was paid to Stakis in cash, and will be used immediately to reduce its debt mountain, currently totalling around £200 million.

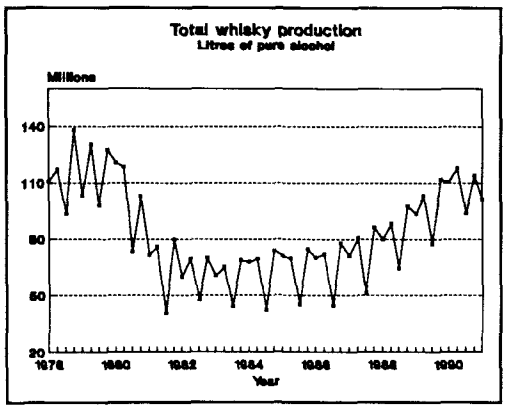
WHISKY

The very worrying downward trend in whisky exports continues. In the first six months of this year exports totalled 98.8 million litres of pure alcohol (LPA), a fall of 11.6% on the same period last year and the poorest first-half figures for twenty years. Most of this fall was accounted for by a decline in bottled-in-Scotland blended exports of 8% compared with the first half of 1990 to 72.5 million LPA, while bulk blended exports declined by almost 17% to 13.5 million LPA. Even exports of bottled malts, the great success story of the 1980s, showed a fall of 3.8% to 3.6 million LPA. The nominal value of exports rose by 1% to £779.5, but even this represents a significant fall in real terms.
A similar story is evident in home consumption of whisky, which fell by 5% in the first half of this year. Following the very rapid rise in production which occurred during the last five years, there may now be some evidence that distillers are beginning to cut back on the rate at which whisky is being produced. Total production in the first quarter was 101.2 million LPA, 8.3% below the corresponding figure last year and the first quarterly fall since 1986. This decline is totally accounted for by grain whisky, output of which was slashed by 17% in the first quarter. By contrast, malt whisky output rose fractionally, and indeed exceeded that of grain whisky between January and March, a situation unheard of in recent times.

It should be pointed out that production figures are no longer supplied by HM Customs and Excise, and that from the last quarter of 1990 this information derives from the Scotch Whisky Association's database. This is estimated by the SWA to account for around 95% of producers and 97% of production, and if so provides a reasonably consistent series with previous data.

Since 1985 this column has rarely appeared without some discussion of issues relating to ownership and control in the whisky industry, invariably revolving around takeover bids. This is once again topical with the bid by Whyte & Mackay for Invergordon Distillers, both of which have had mixed ownership histories over the last few years. Since the abortive management buyout and subsequent acquisition by Gallaher, Whyte & Mackay has been strengthening its portfolio of brands which had already received a boost in 1986 with the purchase of ten of Distillers' brands during its takeover by Guinness. Clearly Whyte & Mackay wants to be one of the major

players which now dominate the international drinks industry, virtually all of which have some degree of strength in the Scotch whisky industry; by acquiring Invergordon, Whyte & Mackay would rank third in the whisky industry behind Guinness and Allied-Lyons, and could be in a powerful position with the backing of American Brands behind them.



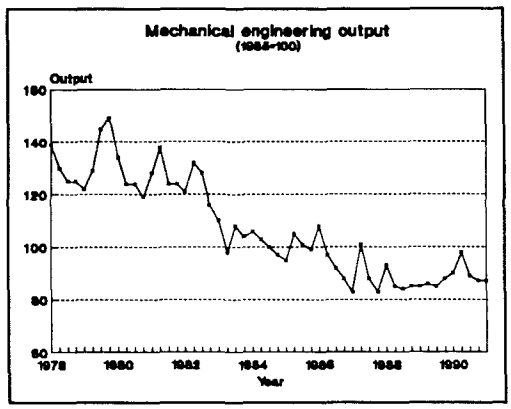
By contrast, Invergordon's strengths lie not in brands but in the supply of new fillings to the industry. Since the management buyout from Hawker Siddeley in 1989 and subsequent flotation on the stock market, Invergordon has been cosidered rather highly geared and potentially vulnerable to takeover. If successful, the acquisition by Whyte & Mackay would end Invergordon's brief interlude as an independent, Scottish-controlled quoted company, a class of animal thin on the ground these days.

However, external control can be exercised by more subtle means than highly-publicised takeover bids, as another whisky company has just discovered. By converting loan stock to shares, Suntory has increased its shareholding in Macallan-Glenlivet to 25.5%, almost matching the 26.3% already owned by French company Orpar. In the short term there is no doubt that control of the company remains in Scotland, but the fact remains that Macallan is now predominantly non-UK owned, and both of the external shareholders now have the right of a say in major board decisions. Outright takeover by one or other party seems unlikely, but the fact that Suntory could take their action without reference to the Macallan board does indicate how precarious is Scotland's grasp on some of its prized corporate assets.

MECHANICAL ENGINEERING

Signs that the recession in the industry is beginning to feed through to official statistics have begun to emerge. The most recent figures for the index of production for Scotland show that while output in Mechanical Engineering actually increased (albeit by a meagre 1%) in the first quarter of this year, overall growth in the preceding four quarters totalled 3%, compared to a previous year's figure of 6%. The likely occurrence is that a fall in output will begin to emerge in the near future, possibly by the time the next set of figures are issued. Nonetheless, it is worthy of note that the performance of the industry in Scotland has out-stripped that of the UK as a whole. For example, UK output fell by 4% in the first quarter of this year.

A more up to date appreciation of the current state of the industry can be gleaned from the most recent results of the Scottish Chambers' Business Survey. Here, the balance of optimism in Mechanical Engineering in the July issue remains strongly negative, a result little changed since the previous issue. Additionally, the proportion of companies reporting a downturn in orders in July rose by just over 5% from the previous survey (although one slightly encouraging response is that export orders appear to be holding up better than Scottish and other UK orders). Also, over 75% of respondents felt that lack of orders were the fact most likely to constrain output in the short term, and on-third of respondents had experienced a fall in employment in the three months to July. Overall, immediate prospects of recovery in this sector appear to be very slight.



Away from current the macroeconomic problems which the industry is experiencing, suggestions of a more fundamental weakness in the industry's competitive ability have been aired in a report sponsored jointly by Scottish Enterprise and the Lanarkshire Development Agency. This has revealed that only 20% of spending by the sector is made in Scotland with the remainder going to England and Europe. Interviews with a number of large mechanical engineering companies pointed to the depressing conclusion that poor supplier performance, measured in terms of issues such as technical ability, capacity and marketing ability of Scottish suppliers were to blame for this deplorable sourcing record. Unfortunately, this seems to mirror very closely the experience of local sourcing in the electronics industry where spending by electronics companies in Scotland runs at a similar level (see J McCalman in Commentary, February 1987).

ELECTRONICS

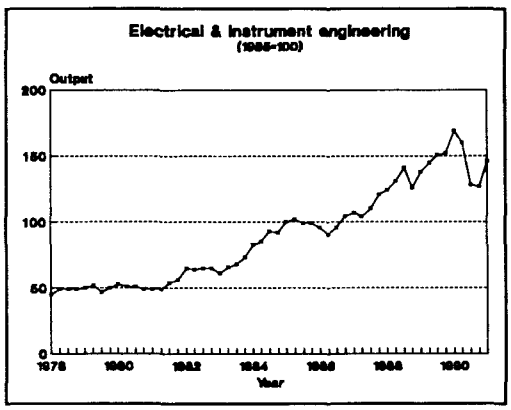
Recent results from the Index of Production in this section can only be described as erratic. Following the

very substantial drop between the second and third quarters of last year (when output fell by 20%), a rise of 14% was recorded in the first quarter of 1991. Although an examination of output changes does indicate a degree of volatility in the sector's output performance in recent years, the changes outlined above are by historical standards very large and make it difficult to interpret past events, never mind predict what even the near future is likely to hold. Of course, any indication that last year's huge reduction has been reversed is extremely welcome and to the extent that the Index correctly measures changes in output, electronics appears to be leading a modest improvement in the consumer goods industry, where output is recorded as having increased by 3% in the first quarter of 1991, following a 11% drop in 1990.

Similarly, there does appear to be some encouraging news emerging from the July issue of the Scottish Chambers' Business Survey results for the electronics industry, with a significant increase in the number of companies who expect both orders and sales to increase in the short term. Following this, investment intentions also appear to have been revised upwards, with 6% of companies more likely to increase investment than was the case in the April survey. The above has to be tempered by the fact that 77% of companies continue to cite lack of orders as the most important factor on output in the short term, but compared to the fall in output experienced in 1990, the SCBS response can be considered as broadly encouraging overall.

That the worst is not yet over, however, is seen by the mixed bag of results emerging from electronics companies in Scotland, which do little more than reinforce the state of uncertainty currently felt in the industry. Several companies have announced job losses, among them Seagate who are to close their disk drive repair and maintenance factory at East Kilbride, which will involve a loss of 200 jobs. The facility was opened only two years ago, but the recession has forced the company to act to cut operating expenses, and it is to centralise all repair and maintenance facilities in the Far East, with customer services for Europe being transferred to Holland. Seagate have however given assurance that the future of their other Scottish operation at Livingston is not in doubt. Elsewhere, the Perth company GRI lost 43 jobs in July following the collapse of a major customer.

However, what is perhaps the most significant news of recent months was the ultimate demise of Rodime following the protracted death throes of the last few years. The final collapse followed the demise of talks which would have led to the formation of a joint-venture company which would have transferred all manufacturing autonomy to the Far East, leaving Rodime free to concentrate on marketing and technology development. The deal appears to have collapsed mainly because of lack of money and Rodime's own financial position is certain to have been a contributing factor. Following losses last year at over £7 million (down from the £24 million loss of the previous year) and a first half deficit of £3.2 million for 1991, Rodime's cash and borrowing facilities were completely eliminated and it was forced to negotiate further lines of credit. Having suffered recent problems of low demand, price competition and the general trend towards smaller computers, the collapse of the joint venture discussions appears to have convinced the company that it cannot improve its financial performance and it has asked for the receiver to be called in, a sad end for what was without doubt Scotland's most innovative, indigenous electronics company and the only one so far which has ever seriously threatened to become a industry leader. Closure will result in the loss of 140 jobs, mostly in Glenrothes.



However, contrasting fortunes are evident at Scotland's other major indigenous manufacturer, Prestwick Circuits, which has recently spent £200,000 to acquire the specialist electronics sales and distribution company BAND, with outlets throughout the UK and Ireland. Finally, some contrasting news for East Kilbride is the decision announced in July that the Tandy Corporation of America is to invest in a new computer manufacture and service facility, which it is expected will eventually create about 250 jobs. According to Tandy's European director, the investment has been prompted mainly by the companies decision to increase European content in the wake of the 1992 programme. East Kilbride will therefore be given responsibility for all the company's European manufacturing operations when the facility opens in 1993.

CHEMICALS AND MAN-MADE FIBRES

In the first quarter of 1991 this sector's index of production figure for Scotland stands at 100, a figure that seems to have a magnetic attraction for this sector, Since the rebasing to 100 in 1985 the chemicals industry has tried valiantly to rise above it but is always pulled back and makes little overall headway. The UK on the other hand was at a continual rising trend until the second quarter of last year.

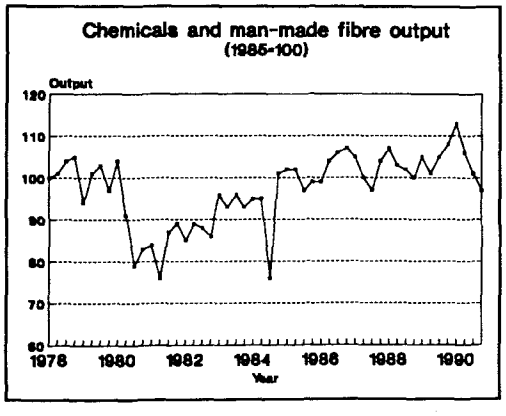
The Scottish figure of 100 is however up 2% on the previous quarter but down 4% when comparing the latest with the previous four quarters. The UK index stands at

115 which is where it stood last quarter and is down 3% when comparing the four quarters with the previous four quarters.

The latest SCBS for the second quarter 1991 shows that a net 7.7% of respondents are less optimistic about the general business situation than they were in the first quarter. This compares with a net 11.6% who were less optimistic than they were one year ago.

New orders are down for a balance of 12% of respondents; however, a net 20.8% expect new orders to be up for the third quarter. During the second quarter new orders from Scotland increased (for a net 4.8% of respondents) and export orders were also up (for a net 16.6%), however, new orders to the rest of the UK were down(for a net 9.6%). This highlights the more forceful impact of the recession on the South of England. In terms of actual sales it is only export sales which are holding up for a net 10.5% of respondents, Scottish sales and sales to the rest of the UK are down for a net 4.6% and 8.7% of respondents. The third quarter of 1991 is expected to be much better in terms of sales with a net 4.6% expecting sales to be up. Sales to Scotland, the rest of the UK, and export sales are up for a net 14.3%, 4.5% and 10.1% of respondents respectively.

Current capacity utilisation for respondents is 75.7% which is down for a net 12.9% of respondents, when compared with last year. More than half of respondents have not altered their investment intentions in plant and equipment, compared to the first quarter of 1991 and over two thirds of respondents are unchanged in terms of land and buildings. The major reason for new investment have been for replacement and to expand capacity with each of these being cited by 31.3% of respondents. orders or sales is the main limiting factor for 76.9% of respondents.



Employment is down during the second quarter of 1991 for a net 15.4% of respondents and this is expected to continue in the third quarter for a net 20%. The downward trend is concentrated towards female full-time and part-time employment. Overtime working is down for a net 32% of respondent with a net 21.8% expecting this trend to continue in the third quarter. There is no change in short-time working for all of the respondents during the second quarter. Almost a fifth of respondents increased wages and salaries in the second quarter with an average increase of 8.0%. Just over 30% of respondents plan to increase their training provision in the third quarter and none envisage a reduction. Over half of all respondents attempted to recruit during the second quarter and almost 63% of them experienced difficulties with the recruitment of skilled manual workers, other manual and professional and managerial were other problematic areas.

The petro-chemicals industry, once regarded as a major spin-off opportunity for Scotland, is running into difficulties because of world wide over-capacity which is severely hampering the profit outlook for investors. Though the benefits of feedstock gasses from the North Sea should help to offset the worst effects of the slump on the Shell/Esso plant at Mossmorran in Fife and the unit under expansion by BP in Grangemouth, there is little prospect of any short-term turnround in the situation which will encourage further growth in processing. The petrochemical industry can only blame itself for this malaise, which is not caused solely by the recession and inflation induced collapse in demand, but by over expansion in capacity. Consequently there will be no bounce back in demand and profits this time. World wide ethylene cracking capacity is expected to rise from 56.4 million tonnes last year to 71.3 million tonnes by 1994. This will include a rise from 16.1 million tonnes to 19.5 million tonnes in Europe along.

However, world wide demand for ethylene is only expected to rise from 50.6 million tones to 58.8 million tonnes over the same period, resulting in the use of available plant falling from 90% to 82%. Other petrochemical raw materials such as propylene and styrene are expected to suffer a similar fate.

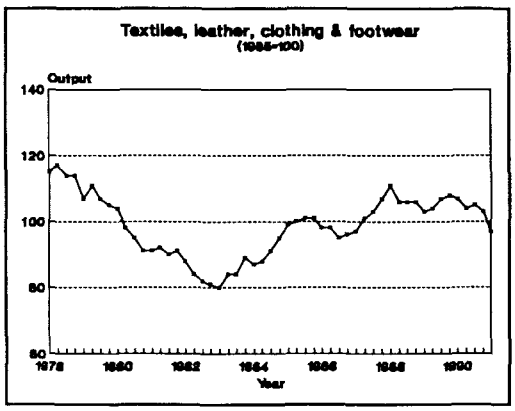
A major source of concern for European manufacturers is the USA where in 1988 ethylene capacity of circa 17 million tonnes was working flat out in 1988 to meet demand which was nearly one million tonnes higher at that time. New investment to improve capacity is expected to reach more than 22 million tonnes by 1994 but demand will be little changed from 1988 (18 million tonnes), resulting in just 81% of capacity being used. This raised fears that the US might try to flood export markets with surplus supplies. However, the impact may be less marked than at first thought because of a rising dollar which will erode the US competitive edge, and low oil prices which will favour European manufacturers.

Lower petrochemical products must, however, be good news for plastics manufacturers and others who use these products as inputs.

TEXTILES, LEATHER, CLOTHING AND FOOTWEAR

The first quarter 1991 saw the index of production in this

sector fell by 6% in Scotland to 97, the lowest figure since the first quarter of 1987 and below the 1985 base of 100. Comparing the latest four quarters with the previous four quarters shows a decline of 4%; this compares with the UK which fell by 5% over the same period. The UK index stands at 90 which is down 2% from the previous quarter. As highlighted in the previous Commentary, Scotland continues to fall at a faster rate than the UK as a whole and even the relatively better performance of Scotland in 1990 is being eroded.



The latest Scottish Chambers' Business Survey (SCBS) for the second quarter 1991 shows that a balance of 3.6% of respondents are more optimistic about the general business situation than they were in the first quarter. However a balance of 43.1% are less optimistic than they were in the second quarter.

Second quarter new orders are down for a net 12.6% of respondents and a balance of 2.8% expect this trend to continue in the third quarter. Export orders are on a downward trend for a net 37.7% of respondents and a net 12.2% expect this to continue in the third quarter. Scottish orders are down for a net 18.9% of respondents and orders to the rest of the UK are likewise down for a net 27.3%. Actual sales were similarly down for net balances of respondents in total (down 10.4%) and sales to Scotland (down 18.2); to the rest of the UK (down 22.4%) and lastly export sales (down 23.7). Forecast sales for the third quarter of 1991 were also all down although for lesser balances 10.8%, 4.9%, 15.3%, 21.7% respectively, which shows a relative improvement. It is important to remember that all SCBS figures presented here are balance figures and take no account of the percentage of respondents who experience or foresee no change, or a level trend. This explains how the expected trend in sales is down for a balance of 10.8%, a higher balance than the net actual sales and yet the component balances of actual to forecast show a relative improvement.

Respondents in this sector are holding reduced levels of stock for a net 12.7%. Work in progress is down for a balance of 11.7% and stocks of raw materials are also down for a net 15.6% of respondents. This is a clear sign of belt tightening and is typical of companies trying to minimise their cash flow. This conclusion is also reinforced by the "current" (2nd quarter) capacity utilisation figure of 77.7%.

Consequently there has been significant reductions in investment intentions. Investment in plant and equipment is down for a net 11.5% of respondents and a balance of 9.6% expect the third quarter to show a downward trend. Investment in land and buildings is also negative for balances of 8.8%, both in the second quarter and in the third quarter. Any recent investment authorised has been to expand capacity (for 23.5%); to introduce new projects (20.5%); introduce new technology (19.9%); increase efficiency (18.5%); to reduce labour (9.7%) this would tend to indicate that employment is already shed where possible rather than a desire to hold labour, and lastly for replacement (8.8%). This clearly shows a desire to leave replacing plant until absolutely necessary. Over 70% of respondents cited orders or sales as the single most likely factor to limit output in the current quarter.

In the second quarter, total employment was down for a balance of 28.1% of respondents. Between 60 and 70% of respondents experienced flat trends in male, part-time and temporary employment. However, female employment was down for a balance of 29.5% of respondents. Overtime working is down for a net 22.2% and short-time working is up for a net 4.8%, with over half of respondents seeing no change in the latter Both these observations, decreased overtime and increased short time working, are indicative of an industry in recession.

The 31.3% of respondents who increased wages and salaries during the second quarter, gave average increases of 7.7% which is low and perhaps indicative of the low level of union power in this sector. There is no expectation of any increase in the provision of training for the third quarter by 68.3% of respondent firms. On a brighter note more than half (50.8%) of respondents attempted to recruit during the second quarter. Professional/managerial and skilled manual being the only areas of difficulty experienced by half and two thirds of those recruiting respectively.

Borders Local Enterprise Company has set up a task force to combat the decline in the Borders textile industry. In the last year there have been numerous mill closures and the consequent loss of over 1,000 jobs. Seven company directors from some of the Borders' best known producers will attempt to draw up a strategy on training, investment and marketing initiatives. It is realised that, come the upswing there will be serious skill shortages. It is hoped that the action group will come up with a strategy for Borders textiles by the end of October.

On Tayside, Dundee textiles has instructed its 140 strong workforce to work shift on, shift off for an indefinite period. The joint £16 million venture between Tootal and two Japanese companies (see Quarterly Economic Commentary, Volume 15, No. 2, December 1990) had

hoped to employ 240 at peak production and its revolutionary process to turn grey cloth into a dyed finished product was said to cut weeks from standard order times.

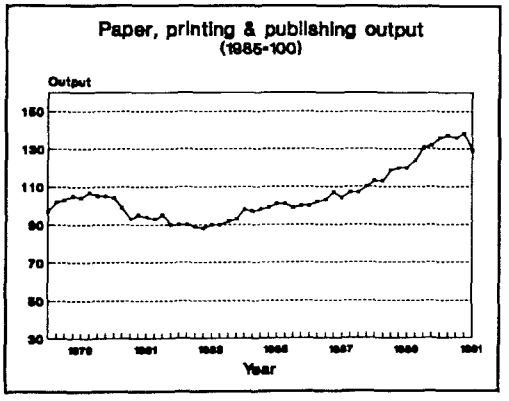
The recession, particularly in the South East of England, means that no one is buying the finished product. It is felt that in the textiles sector, the current recession is the worst since 1980 and perhaps 1974 and the retailers are the front line casualties.

Perhaps the most important news item recently for this sector is the announcement that the Multi-Fibre Arrangement (MFA) has been extended for 17 months, until the end of 1992. The MFA covers about 65% of the $196 billion annual world trade in textiles products. The extension of the MFA is certainly good news for British producers although India and Pakistan are less than delighted at the continuation of what they see as an instrument of trade protectionism, utilised by the developed countries.

Coats Viyella the thread and knitting conglomerate has pulled out of its Castlemilk, Glasgow, factory with the loss of 250 jobs (the factory was the largest private sector employer in this economic blackspot). Meritina Childrenswear had struggled hard to avoid this end. Other work was taken on, the workforce was slimmed down, £500,000 worth of new equipment was installed in order to make the operation viable. The cause is clear; two factors predominate: (i) the current recession has meant that retailers are buying less stock, and (ii) cheap imports have increased their market share from 54% to 74% in the last five years. And this latter point in spite of the MFA.

PAPER, PRINTING & PUBLISHING

The Index of Production and Construction detected a 6% decline in output for the first quarter of 1991 compared to the fourth quarter of 1990. This level represents a 3% increase over the past year.



Evidence from the Scottish Chambers' Business Survey revealed an increase in optimism in the three months to June 1991, from a balance of optimism of 3% to 11%. Despite the apparent increase in optimism the trends in new orders and sales remained depressed, however export sales are expected to rise. Investment in plant and equipment and buildings both returned negative balances, and are expected to remain so. The trend in total employment improved during the second quarter and a further rise was anticipated in the third quarter.

Tullis Russell, the independent Fife paper maker reported a fall in profits for the second year in succession in July this year. The pre-tax figure was more than halved, from £2.9 million to £1.24 million in the 12 months to March 1991. The decline was blamed on interest charges, redundancy costs and exceptional items.

Fife based paper maker, Inversek reported first-half pre-tax profits of £3.55 million. The profits were boosted by the group's strong export performance into European markets, representing 40% of turnover.

Scott Paper, the world's largest producer of toilet tissue and napkins experienced a 59% slump in net profits in the second quarter. Scott claimed that the poor performance was due to the depressed economic environment and weak markets at SD Warren, its printing and publishing subsidiary. The company was also hit by a rising interest charge.

SERVICES

FINANCIAL SECTOR

The collapse of the Bank of Credit and Commerce International (BCCI) has once more brought to the surface concerns about the system of financial regulations in the UK and in particular the role of the Bank of England as regulator, whilst Barlow Clowes, Garston Amhurst and a series of other such cases raise doubts, compounded by the succession of ideas floated by the Securities and Investments Board (SIB) such as the abolition of 'best advice' or the possibility of multi-ties, as to the soundness of the present system of financial regulation overseen by the SIB.

The difficulties stem in large part from conflicting views of the purpose, abilities and possible achievements of financial regulation. The Government on the whole wishes for a regulatory system that encourages competition, is cheap to run, protects the financial system from potential dramatic losses of confidence, and goes some way to meeting consumer needs for protection from fraud and bad practice. Consumers on the other hand typically want a regulatory system that protects them from loss, particularly fraudulent ones, and bails them out from situations brought about by the fatal combination of ignorance and greed. Added to all this are the demands of the institutions, generally aimed at protecting their competitive position, and of the regulators themselves. It is clear that many of the objectives must conflict and cannot be achieved simultaneously. The Government's desires for economy, for example, are likely to conflict

with the demands of consumers for protection, since unless the taxpayer is prepared to sign an unlimited blank cheque there is no way that all depositors can be protected. The huge potential cost of such a blank cheque is illustrated by the Savings and Loan crisis in the US. As a solution to the problems of effectively regulating the banking and financial services industry it can be ruled out.

The other extreme of no regulation at all is equally unrealistic. It has been argued that Scottish banking was at its most innovative in its early years when it was largely unfettered by Banking Acts but the periodic collapses and particularly their effects on the economy were a heavy price to pay. Both consumers and the Government are unlikely to find this alternative acceptable. Our path must lie between the extremes and it is on deciding the degree of protection and the compromises between objectives that we are prepared to make, that our efforts should be concentrated. In particular, we need to consider the extent to which consumers should be protected from losses, and the degree of intervention that we expect of our regulators both as regards ensuring fairness and equity in the provision of information and in supervising our institutions and markets, bearing in mind that the more we prescribe the more likely it is that competition and particularly innovation will be stifled.

The BCCI collapse raises many interesting points relevant to this issue. Firstly the anger of depositors at losing their money and their desire to blame the regulators should not be allowed to obscure the facts that the fraud was done by a group of individuals and it is these individuals who are ultimately responsible. Secondly it should be remembered that depositors were attracted at least in part, by the higher interest rates offered by the bank and that these interest rates are a recognition of higher risk. Unfortunately for current depositors this risk materialised. Keynes description of investment as *"a game of Snap, of Old Maid, of Musical Chairs - a pastime in which he is victor who says Snap neither too soon nor too late, who passes the Old Maid to his neighbour before the game is over, who secures a chair for himself when the music stops"* (*The General Theory of Employment and Interest*, Macmillan, Ch 12) provides an appropriate analogy. Depositors of the 5 July were unfortunately left without a chair.

The Bank of England is unlikely, on current evidence, to be entirely blameless. The Bank should probably have acted earlier, but unless the Bank had effectively prevented BCCI from operating in the UK from its inception the effect would simply have been to stop the music earlier. A different set of investors would have been left without chairs but they would have been equally upset and angry. The only feasible solution that didn't involve losses to many depositors was if an alternative could have been found to closing the Bank down. The problem is that regulatory systems cannot deliver what investors would most like - high returns and protection from risk. BCCI has thrown up the very real difficulties that regulators face even if they respond quickly to potential regulatory problems. The 1987 Banking Act gives the Bank the power to revoke the authorisation of banking business in the UK but such provisions are inadequate when information is deliberately falsified and concealed. BCCI played the regulators of different countries off against each other making sure that no one regulator had access to the whole story. It is unlikely that regulators can ever adequately protect against such multi-national organised frauds. The best that can be achieved may be to press for greater international banking cooperations and to tighten up national regulation of international banks. Even this however is unlikely to be satisfactory. As the recent Japanese banking and investment scandals have revealed opinions differ on the significance of particular business practices. Manipulation of the share markets that would land brokers and bankers in court in the UK are merely the subject of apologies in Japan. It is unrealistic to expect our regulators to impose our standards on overseas financial markets and yet unless we do so, some overseas participants in the UK market will indulge in behaviour that is far removed from what is acceptable in the UK.

A particular aspect of concern of the BCCI collapse has been the concentration of losses in the Asian community and the implications of these losses for the deposit insurance scheme. The scheme provides cover to depositors of 75% of their first £20,000 of deposits. Small depositors losses are limited but, in general, the scheme provides little cover for the larger business depositor. The losses are a serious cause for concern but it is not clear what, if anything, should be done. Asian depositors like everyone else were compensated for the extra risk they took on. To compensate them over and above the deposit scheme because of the ethnic appeal of the bank and consequent high losses amongst the Asian community would be to open the floodgates and encourage all losses, both present and future, to claim ethnic, regional or other special interest protection. The deposit protection scheme already penalises the sober, honest carefully managed companies and their shareholders - the Royal Bank, for example, envisages a £5 million contribution to the scheme in respect of the BCCI collapse. Any extension of the deposit scheme would add further to bank costs and result ultimately in higher charges and interest rates.

And yet, it is unrealistic to believe that individuals, even reasonably rich ones, have detailed knowledge of the credit standing of banks. There is undoubtedly a case for providing more assurance to depositors about the standing of their banks than is currently publicly available. More independent auditors would be one possibility but even then how can I be confident that my (Scottish) bank is not the subject of an equally massive fraud? Size is certainly not a criterion for safety given the scale of BCCI. Domicile in the UK and hence being firmly under the Bank of England's gaze may provide some reassurance but the most important assurance surely is the

belief that the Government could not afford to allow a major UK bank to collapse. Politically it would have to step in and protect depositors, but if this is the case should it not be doing this for BCCI investors, and should it not recognise the political realities and guarantee the deposits of one or a small number of UK domiciled major banks, possibly in return for a fee, and make the guarantee explicit? Dissemination of accurate information about the detailed credit standing of a bank may be impossible but information about a simple Government guarantee could be easily provided. No attempt should be made to provide a comprehensive guarantee scheme. Instead we should recognise the needs of the poorly informed investor for a safe, default free investment.

We have not so far alluded to the particularly Scottish dimension of the BCCI collapse, the £24 million losses of the Western Isles council. It is hard to see how any deposit protection scheme could protect the professional investor. The council should never have had so much of its assets in one investment. The problem is what should be done about it. It is difficult not to believe that the Treasury must step in and make good a major part of the loss. The council will no doubt be squeezed to extract any fat but thereafter the Government must make the losses good. Coming in the wake of the Swaps judgement it is clear that the Treasury must play a more active part in guiding local Treasurers.

The problems of BCCI are mirrored, fortunately on a smaller scale, by difficulties in financial service companies. The Investment Compensation Scheme has been plagued with difficulties not least with regard to when cover started, whilst tied and independent financial advisers have demonstrated a full range of problems ranging from fraud, through incompetence to bad luck. Five years after it commenced the difficulties of getting the regulatory system to work properly have still not been solved. A relaxation of many of the main ideas formerly central to investor protection, such as a reduction in polarisation and the substitution of 'suitable' advice for 'best' advice, is being suggested as a way of solving the difficulties. The problem is that the financial services industry has been unwilling or unable to meet the aspirations of legislators and consumers. Best advice is manifestly not given in many circumstances, sometimes indeed because of the rules of the investor protection bodies which prevent advisers recommending certain types of products, combined with the commission-led form of remuneration prevalent in the financial services industry. It is difficult to see small changes improving the situation. It is perhaps time to stop pretending to offer investors comprehensive protection since it appears increasingly unlikely that the regulators can deliver. Such a step appears drastic and retrograde but in the absence of evidence showing that the consumer has benefitted from the diversion of resources into regulation, and given the watering down of protection that SIB appears to be contemplating cutting our losses might be the most sensible strategy for regulation. Have fraud and similar losses been reduced by our elaborate system of financial regulation? Do the benefits of the system outweigh the costs? Has advice to consumers improved? Answers to these and related questions are essential for a realistic review of the SIB and investor regulations.

DISTRIBUTIVE TRADES

According to the July Scottish Chambers' Business Survey (SCBS), there was a small deterioration in wholesaler optimism during the second quarter of this year; however, a net 23% of respondents were less optimistic about general business conditions than they had been a year earlier. In spite of their increased pessimism concerning the general economic environment, a positive balance of wholesalers (plus 7%) reported that sales volumes were higher in Q2 1991 than they had been in Q2 1990; furthermore, a similar majority expected the trend of higher sales to continue in the third quarter.

For the third successive quarter, there was a small net increase in total wholesale employment. Full-time employment was static, but there were modest net gains in both male and female part-time and temporary jobs. On balance (plus 11%), wholesalers expected a further rise in employment in the third quarter. 44% of SCBS wholesale respondents had increased wages and salaries during the second quarter, by an average 10.2%.

In terms of the balance of business optimism, the geographical pattern of wholesaler responses in Q1 1991 and Q2 1991 is shown in Table 1.

TABLE 1 WHOLESALER OPTIMISM

Chamber Area	Net % more optimistic	
	Q2 91	Q1 91
Fife	-33.3*	+66.7*
Central	0.0*	+100.0
Edinburgh	+8.3	-9.1
Aberdeen	+2.7	+2.7
Glasgow	-10.2	-6.0
Dundee	-12.5	-26.6

* Based on less than 10 respondents

The July SCBS reports that business optimism among Scottish retailers was essentially unchanged in Q2 1991 compared with three months earlier. However, a significant net majority (26.2%) were more pessimistic about economic conditions than they had been a year earlier. As in wholesaling, worsening retailer optimism was associated with a positive balance (plus 5.8%) of reported higher levels of Q2 1991 retail sales compared with Q2 1990. A net 11% of respondents expected the

trend of higher year-on-year sales to continue in the third quarter.

In spite of an apparently healthy sales performance, there was a sharp fall in Q2 retail employment, with a net 27% of SCBS firms reporting job losses. Male and female employment fell approximately equally, and the reduction in full-time jobs was particularly marked. Further declines, on a more modest scale, in all employment categories were predicted for the third quarter. 61% of retailers had increased wages and salaries during the second quarter, by an average 8.8%.

Net retailer changes in business optimism by Chamber area in Q1 and Q2 1991 are shown in Table 2 below.

TABLE 2 RETAILER OPTIMISM

Chamber Area	Net % more optimistic	
	Q2 91	Q1 91
Fife	+15.4	-17.7
Central	-37.5*	-18.2
Edinburgh	-28.6	0.0
Aberdeen	-9.4	+9.8
Glasgow	+15.1	-13.4
Dundee	+11.7	-8.3

* Based on less than 10 responses

Scottish results of the 1988 Retail Inquiry are reported in the June 1991 issue of the Scottish Economic Bulletin. In 1988, Scotland had 29.9 thousand retail outlets with a total turnover of £9,319 million. Scotland's retail turnover was 8.5% of the Great Britain total, slightly less than its population share of 8.9%. The largest five retail groups accounted for 22.5% of 1988 Scottish turnover, suggesting a weakly oligopolistic industrial structure. However, concentration in this sector increased during the 1980s: in 1982, the largest 5 groups had accounted for only 16.5% of Scottish turnover.

TRANSPORT

Employment in Scotland in the transport and communications sector fell by around 2.8% in the year to March 1991, compared with around 2.5% in Great Britain as a whole. This decline, most of which occurred in the first quarter of 1991, is probably more heavily concentrated in the comparatively flexible road haulage industry than in other transport sectors. With the onset of the recession, transport employment has probably fallen further in recent months.

The recession has also been responsible for a car price war, with sales in Britain down 24.8% in the first half of 1991 from the same period a year earlier. Similarly, commercial vehicle sales were down 31.8% in the same period. Prices may not rise again to their former levels: a Monopolies Commission inquiry into prices for new cars and parts has made the provisional conclusion that 'complex monopolies' exist in new car supply, which 'prevent restrict or distort UK competition.'

Also in the road transport sector, the completion of the privatisation of the Scottish Bus Group now seems to be in sight. Fife Scottish has been purchased by Stagecoach, despite a management-workforce bid, while an employee-based company has been nominated as preferred bidder for Western Scottish. This company is planned to be split into its component Western and Clydeside parts after privatisation.

In the air transport industry, Scottish Airports Ltd, the BAA subsidiary, has published its annual results. Traffic was up by 2.9%, though operating profits, at £21.4 million, are unchanged. These figures include a loss from Prestwick Airport of £4.8 million. Unlike most non-Scottish airports, traffic has remained at least stable, with Glasgow Airport increasing passengers by 8.2% and revenues by 22%. The main impetus to this has been the adoption of the Scottish Lowland 'Open Skies' policy, which has substantially increased traffic to North America.

The same label, 'Open Skies', has been applied to the European Community's air transport liberalisation policy, though the meaning is somewhat different here. From 1993, any European airline which meets the usual financial and safety regulations will be able to fly between any two European Community countries, unless both countries object. There is also the possibility of a separate agreement to permit 'cabotage', airlines from a third country flying a route. The policy change should, at least in theory, result in lower fares and more flights. However, even fairly strong airlines such as British Airways have reservations about the policy; airline profitability overall remains low. The removal of restrictions should mean that a number of routes from Scotland to the continent would benefit. Public service flights will be protected.

The Prestwick Airport financial results occurred despite a 30% increase in the number of cargo flights. It is therefore unsurprising that BAA are considering its sale. A number of groups are interested in making the purchase. In the air transport engineering industry, Sun-Air, a Danish regional airline, has ordered two Prestwick-built BAe Jetstreams, worth £6.2 million. However, BAe at the airport is closing its maintenance unit for TNT's parcel jets, with the loss of 139 jobs. The firm wants the work moved closer to its UK base in Luton.

The previous issue of the 'Commentary' outlined the shift in the Government's policy toward rail transport. However, immediately after this policy was announced, a temporary freeze on rail investment was introduced, followed by an agreement with British Rail to limit

investment to approximately 75% of BR's estimated requirements. The government does not, of course, give BR investment funds in any quantity. This constraint is the amount BR is permitted to borrow from the government; unlike French Railways, it is not allowed to use the capital markets itself. The effect of this edict is likely to be delays both in the reconstruction of the Glasgow-London West Coast Main Line and in further electrification in Scotland.

The location of the Scottish terminal for Channel Tunnel freight has still to be determined, with rival locations putting their cases to British Rail. This issue should be decided quickly and finally. It is now just over eighteen months until the Tunnel opens and investment decisions will need to be taken and implemented. While the distance-related economies in freight transport are about the only significant benefits Scotland can look forward to gaining from the Channel Tunnel, these need to be put into context. The Freight Transport Association estimates that around 1% of British freight will use the Tunnel, although it is possible that the Scottish figure will be slightly higher.

THE LABOUR MARKET

Past Commentaries have noted that recent experience of changes in official estimates of employment data emphasise the need for caution amongst those who seek to interpret recent labour market trends. Significant under-reporting of employment growth had apparently occurred prior to the 1988 Labour Force Survey (LFS). However, the results of the 1987 Census of Employment suggested that LFS estimates over-estimated the extent of under-recording of employment. Estimates based on the 1989 LFS, have been adjusted upwards as compared to the 1987 census-based estimates. However, the most recent estimates of employment, incorporating the 1989 Census of Employment results and the preliminary results of the 1990 LFS, imply some downward revision of earlier estimates.

The Census of Employment provides benchmark data on which to realign estimates of employees in employment derived from the monthly and quarterly sample surveys of employers. Estimates between September 1987, the date of the previous census, and September 1989 have been adjusted to the latest census. Subsequent employment estimates reflect both the new benchmark data and information available from the 1990 LFS. The LFS is employed to adjust figures derived from the regular sample surveys, which have tended to underestimate the number of employees, (see, for example, the April 1991 issue of Employment Gazette).

September 1990 is the most recent date for which employment data are available using both the old and the revised benchmarks. Total employment at this date is estimated to be 1,984 thousand rather than 2,018, a reduction of 34,000 (1.76%). In fact estimates of male employees in employment have increased slightly by 3 thousand (0.3%) in September 1990 from 1038 to 1041 thousand. Estimates of total female employees have been revised downwards by 37 thousand (3.8%) to 943 thousand. However, estimates of part-time female employment actually increased by 10 thousand to 406 thousand in September 1990, an increase of 2.5%. Accordingly, it is estimates of full-time female employment which have been subject to significant downward revisions, from 584 to 537 thousand in September 1987, for example, a decline of 47 thousand or 8.0%. One implication is that the decline in estimated "full time equivalent" employment is rather greater than that in numbers employed, and is just over 40 thousand (with "part-time" assumed to be "third-time").

Nor is it simply the sex and part-time/full-time composition of employees in employment which is affected by the revisions: the aggregate changes disguise more marked changes at the sectoral level. Although the estimates of production and construction industries and service industries employees in employment change by a similar absolute amount (-18 thousand, or -3.0%, and -16 thousand, or -1.2%, respectively), the changes at individual sectoral level are quite diverse. Thus within services estimates of employees in employment in public admin. etc. and education etc. have declined by 25 (-12.3%) and 16 (-3.3%) thousands respectively, that for wholesale distribution etc. have increased by 18 thousand (+8.8%). Similarly, within production and construction industries other manufacturing employees in employment has been revised down by 21 thousands (-9.9%), whereas the estimates of employment in construction has been increased by 12 thousand (+10%). Unfortunately, it appears that recent estimates of employment growth have been exaggerated. Furthermore, the scale of the revisions reinforces the notion that considerable caution should be exercised in interpretations of apparent short-run changes in employment in Scotland between censuses.

The most recent employment date (available only on the basis of census and LFS induced revisions) are for March 1991, and those are also reported in Tables 1 and 2. Overall, total employees in employment rose by 1,000 (0.1%) in the year to March 1991 (albeit from a lower estimated base - see above). Male employees in employment fell by 6,000 (0.6%), and total female employment increased by 7,000 (0.8%). Part-time female employment rose by 17,000 (4.3%), whereas full-time female employment actually fell by 10,000 or 1.6%. If part-time is interpreted as "one-third time", then full time equivalent employment fell by about 10,000 or 1.9%. The number of employees in employment in production and construction fell by 18,000 over the year to March 1991, but numbers employed in services increased by some 18,000, a pattern consistent with the increase in female employment.

Over the year to March 1991 the biggest employment gains were registered by: public admin. etc. (12,000); wholesale distribution etc. (6,000), and banking etc. (3,000). Construction registered the biggest employment losses (10,000).

Vacancies: Stocks and Flows

Over the year to July 1991 unfilled vacancies at job centres in Scotland fluctuated between 16.0 (15.2) and 23.7 (24.5) thousands on a seasonally adjusted (unadjusted) basis (Table 3). Vacancies fell by 6.2 thousands from 22.2 to 16.0 thousands over the year to July 1991. Note, though, that the reduction in vacancies was concentrated in the recent past. Against the background of other evidence it seems likely that this reflects a downturn in labour demand. That this recent downturn in vacancy numbers occurs against the

background of an otherwise upward trend may herald bad news for employment in the comparatively near future. Indeed, we have already noted that "full time equivalent" employment almost certainly fell in the year to March 1991. The net reduction in the stock of unfilled vacancies conceals much larger gross inflows and outflows (Table 4). These were of a similar order of magnitude to the outstanding stock of vacancies in each month. For example, in July 1991 inflows of 20.0 thousand were more than matched by outflows. During 1990 there were a total of over 266,000 vacancies at job centres, well over 90% of which resulted in placings. The short average duration of vacancies is a sign that employers on average do not find it difficult to fill posts because of a continuing slackness in the labour market (although employers may still find it difficult to recruit specific skills in particular locations).

Unemployment: Stocks and Flows

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

Unemployment, on a seasonally adjusted basis, rose in each of the nine months up to and including July 1991. The trend of declining unemployment appears therefore to have ben reversed in recent months, although it is worth noting that unemployment in October 1990 was at its lowest level in recent years, dropping below the 200 thousands mark. While the registered increases were not dramatic (0.7, 2.2, 0.7, 3.2, 4.6, 5.3, 5.2, 2.9 and 4.3 thousand in November and December 1990 and January to July 1991 respectively), at least by comparison with the scale of falls in unemployment which preceded them, there is little evidence that the rate of increase is declining in recent months.

Over the year to July 1991 total unemployment rose by about 25.5 thousand, from 201.5 thousand or 1.1 full percentage points. This represents a major increase in the level of unemployment of 11.2 per cent. In fact the aggregate figures reflect an increase in female unemployment of 3.1 thousand, and an increase of 22.4 thousand in male unemployment. A disturbing feature is that, on an annual basis, the rate of increase of unemployment is increasing.

Table 6 presents recent flows into and out of the unemployment stock. In July 1991 inflows were, at 44.4 thousand, about 5.9 thousand more than in the same month of 1990. Outflows were, at 30.5 thousand, 0.3 thousand less than in July 1990. If gross outflows were maintained at their April 1991 level unemployment stocks would turnover in just over 7 months.

TABLE 1 EMPLOYEES IN EMPLOYMENT IN SCOTLAND: INDUSTRY AGGREGATES ('000s)
(Figures in parentheses reflect revisions due to 1988 LFS and those in square brackets reflect 1987 census up to Spring 1988 and the 1989 LFS thereafter. The latest estimates reflect the impact of both the 1989 census and the 1990 LFS.)

		Female			Prod. & Const.	Prod-uction	Manu-facturing	Services
SIC 1980	Male	All	P/T	Total	1-5	1-4	2-4	6-9
1979 June	1,205	897	332	2,102	831	676	604	1,224
1989 Mar	(1,015) [1,016]	(914) [924]	(387) [376]	(1,929) [1,941]	(587) [601]	(440) [476]	(401) [418]	(1,314) [1,311]
1989 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	929	395	1,956	591	457	397	1,337
Jun	1,031	942	405	1,973	591	458	398	1,353
Sep	1,040	943	406	1,982	597	465	405	1,356
Dec	1,034	945	416	1,979	591	462	401	1,361
1991 Mar	1,021	936	412	1,957	573	449	388	1,355

Source: Department of Employment Gazette

TABLE 2 EMPLOYMENT: SCOTLAND EMPLOYEES IN EMPLOYMENT (000S)*						
SIC 1980	Agric./ forestry/ fishing 0	Energy & water supply 1	Metal Manu. & chemicals 2	Metal Goods, Eng. & vehicles 3	Other Manu. 4	Construction 5
1979	48	72	82	258	265	155
1989 Mar	28 [28]	57 [58]	47 [48]	167 [168]	[203]	124 [125]
Jun	29 [29]	57 [58]	46 [47]	165 [166]	[202]	130 [125]
Sep	30 [30]	57 [59]	45 [48]	166 [168]	191 [207]	134 [124]
Dec	28 [28]	59 [60]	46 [49]	167 [169]	190 [206]	134 [122]
1990 Mar	28 [28]	59 [61]	46 [49]	166 [168]	185 [203]	134 [121]
Jun	30 [30]	60 [61]	44 [47]	166 [170]	188 [207]	133 [120]
Sep	30 [30]	60 [63]	44 [47]	169 [172]	191 [212]	132 [120]
Dec	27	60	44	169	189	129
1991 Mar	28	61	43	165	181	124

TABLE 2 EMPLOYMENT: SCOTLAND EMPLOYEES IN EMPLOYMENT ('000s) (cont.)						
SIC 1980	W'sale dist. hotels & catering 61-63 66-67	Retail dist. 64/65	Transport & communication 7	Banking, insurance & finance 8	Public admin. & defence 91-92	Education, health & other services 93-99
1979	197	194	135	123	170	403
1989 Mar	(201)193[189]	(188)190[186]	(104)114[115]	(183)170[172]	(168)176[184]	(469)481[465]
Jun	207 [197]	193 [188]	113 [116]	176 [174]	176 [187]	474 [469]
Sep	213 [198]	193 [189]	111 [116]	182 [176]	173 [187]	472 [477]
Dec	206 [191]	197 [193]	111 [116]	184 [177]	172 [189]	480 [487]
1990 Mar	204 [187]	191 [187]	109 [117]	186 [179]	170 [190]	477 [487]
Jun	215 [198]	193 [189]	109 [115]	186 [180]	172 [195]	477 [488]
Sep	222 [204]	192 [188]	111 [115]	189 [182]	179 [204]	465 [481]
Dec	214	198	108	184	181	476
1991 Mar	210	193	106	189	182	476

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

Source: Department of Employment Gazette

TABLE 3 UNFILLED VACANCIES AT JOBCENTRES - SCOTLAND VACANCIES AT JOBCENTRES ('000s)					
	Seasonally adjusted			Vacancies at Careers Offices	
	Number	Change since previous month	Average change over 3 months ending	Unadjusted Total	Unadjusted
1989 Jan	20.0	-0.3	-0.1	17.0	0.5
Feb	19.9	-0.1	-0.0	17.2	0.5
Mar	19.8	0.1	-0.2	18.5	0.5
Apr	20.3	0.5	0.1	20.2	0.6
May	20.5	0.2	0.2	21.5	0.7
Jun	21.8	0.0	0.7	23.3	1.0
Jul	21.8	0.0	0.5	23.1	0.9
Aug	22.1	0.3	0.5	22.7	0.9
Sep	22.6	0.5	0.3	24.5	1.0
Oct	23.4	0.8	0.5	25.2	0.8
Nov	24.7	1.3	0.9	25.3	0.9
Dec	23.4	-1.3	0.3	21.9	1.1
1990 Jan	22.8	-0.3	-0.1	19.8	1.1
Feb	22.3	-0.5	-0.7	19.2	1.0
Mar	22.3	0.0	-0.3	20.5	1.2
Apr	23.0	0.7	0.1	22.9	1.5
May	22.7	-0.3	0.1	23.6	1.3
Jun	22.4	-0.3	0.0	23.8	1.4
Jul	22.2	-0.2	-0.3	23.3	1.2
Aug	22.4	0.2	0.1	23.2	1.1
Sep	22.4	0.0	0.0	24.5	1.1
Oct	21.9	-0.5	-0.1	24.0	0.9
Nov	18.4	-3.5	-1.3	19.4	0.9
Dec	16.4	-2.0	-2.0	15.2	0.6
1991 Jan	18.6	2.2	-1.1	15.6	0.7
Feb	22.8	4.2	1.5	19.8	0.6
Mar	23.7	0.9	2.4	21.8	0.6
Apr	19.5	-4.1	0.3	19.4	0.7
May	17.6	-1.9	-1.7	18.5	0.8
Jun	17.5	-0.1	-2.1	18.8	0.9
Jul	16.0	-1.5	-1.2	17.1	0.8

Source: Department of Employment Press Notice

TABLE 4: VACANCY FLOWS AT JOBCENTRES, STANDARDISED, SEASONALLY ADJUSTED - SCOTLAND						
	In-flow		Out-flow		Thousands of which: Placings	
Date	Level	Average change 3 months ended	Level	Average change 3 months ended	Level	Average change 3 months ended
1989 Jan	20.4	-0.2	20.7	0.0	17.5	0.0
Feb	21.9	0.3	22.3	0.2	19.1	0.2
Mar	21.1	-0.1	21.3	0.1	18.0	0.1
Apr	21.3	0.3	20.9	0.1	17.6	0.0
May	21.4	-0.2	20.9	-0.5	17.7	-0.5
Jun	21.9	0.3	20.1	-0.4	17.1	-0.3
Jul	22.1	0.3	22.0	0.4	18.5	0.3
Aug	23.1	0.6	22.8	0.6	19.2	0.5
Sep	22.6	0.2	22.2	0.7	18.6	0.5
Oct	24.1	0.7	23.4	0.5	19.8	0.4
Nov	24.6	0.5	23.4	0.2	19.7	0.2
Dec	22.1	-0.2	22.6	0.1	19.1	0.2
1990 Jan	20.1	-1.2	21.2	-0.6	17.9	-0.5
Feb	22.7	-0.4	23.4	0.1	19.4	0.0
Mar	22.3	0.1	22.3	0.0	18.5	-0.1
Apr	22.4	0.8	22.2	0.3	18.4	0.2
May	22.5	0.1	22.3	-0.4	18.4	-0.3
Jun	21.6	-0.2	1.9	-0.1	18.1	-0.1
Jul	23.5	0.4	23.5	0.4	19.7	0.4
Aug	23.2	0.2	22.8	0.2	18.8	0.1
Sep	22.9	0.4	22.9	0.3	18.6	0.2
Oct	22.5	-0.3	23.2	-0.1	18.9	-0.3
Nov	22.1	-0.4	26.3	1.2	21.0	0.7
Dec	20.8	-0.7	21.8	-0.4	17.5	-0.4
1991 Jan	21.0	-0.5	19.6	-1.2	15.8	-1.0
Feb	22.9	0.3	19.3	-2.3	15.8	-1.7
Mar	21.4	0.2	20.4	-0.5	17.1	-0.1
Apr	22.6	0.5	25.6	2.0	21.5	1.9
May	22.7	-0.1	25.7	2.1	21.5	1.9
Jun	19.5	-0.6	19.6	-0.3	16.2	-0.3
Jul	20.0	-0.9	21.3	-1.4	17.4	-1.4

Source: Department of Employment

TABLE 5: SCOTLAND - UNEMPLOYMENT -SEASONALLY ADJUSTED (excluding school leavers ('000s)
(figures in parentheses reflect estimates on September 1988 basis - see text for details)

Date	Male	Female	Total	Change since previous month	Average change over 6 months ending	Unemp. rate % of working population
1985	243.6	109.3	353.0			14.2
1986	248.1	111.8	359.8			14.5
1987	214.5	87.8	302.3	2.8	-4.1	12.2
1988 Dec	186.7	73.5	260.2	-6.3	-3.3	10.5
1989 Jan	184.0	72.6	256.6	-3.6	-3.2	10.3
Feb	181.7	71.7	253.4	-3.2	-3.3	10.1
Mar	180.2	70.3	250.5	-2.9	-3.6	10.0
Apr	175.1	68.2	243.3	-7.2	-4.5	9.7
May	172.8	66.7	239.5	-3.8	-4.5	9.7
Jun	170.0	65.0	235.0	-4.5	-4.2	9.4
Jul	168.9	63.9	232.8	-2.2	-4.0	9.4
Aug	167.7	63.3	231.0	-1.8	-3.7	9.3
Sep	163.0	61.8	224.8	-6.2	-4.3	9.1
Oct	159.2	60.4	219.6	-5.2	-4.0	8.8
Nov	155.8	59.0	214.8	-4.8	-4.1	8.6
Dec	153.0	57.5	210.5	-4.3	-4.1	8.5
1990 Jan	151.1	56.8	207.9	-3.3	-3.8	8.3
Feb	150.8	56.2	207.0	-0.9	-3.6	8.2
Mar	149.6	55.4	205.0	-2.0	-3.1	8.2
Apr	148.5	55.3	203.8	-1.2	-2.6	8.1
May	147.1	54.3	201.3	-2.4	-2.2	8.0
Jun	147.0	54.1	201.1	-0.3	-1.7	8.0
Jul	147.9	53.6	201.5	0.4	-1.1	8.0
Aug	147.6	52.8	200.4	-1.1	-1.1	8.0
Sep	147.6	51.6	199.2	-1.2	-1.0	7.9
Oct	146.9	51.0	197.9	-1.3	-1.0	7.9
Nov	147.8	50.8	198.6	0.7	-0.5	7.9
Dec	149.6	51.2	200.8	2.2	-0.1	8.0
1991 Jan	150.3	51.2	201.5	0.7	0.0	8.1
Feb	153.0	51.7	204.7	3.2	0.7	8.2
Mar	157.0	52.3	209.3	4.6	1.7	8.4
Apr	160.6	54.0	214.6	5.3	2.8	8.6
May	164.4	55.4	219.8	5.2	3.5	8.9
Jun	167.0	55.7	222.7	2.9	3.7	9.0
Jul	170.3	56.7	227.0	4.3	4.3	9.1

Source: Department of Employment

TABLE 6: UNEMPLOYMENT FLOWS - STANDARDISED, UNADJUSTED: SCOTLAND ('000s)		
Month ending	In-flow	Out-flow
1989 Jan	32.2	26.9
Feb	33.1	40.7
Mar	31.7	39.0
Apr	30.5	38.9
May	27.3	38.6
Jun	27.9	35.5
Jul	37.1	33.5
Aug	30.9	33.5
Sep	33.0	41.6
Oct	31.9	38.2
Nov	31.5	34.2
Dec	27.8	26.8
1990 Jan	29.7	22.9
Feb	31.9	35.7
Mar	29.5	35.5
Apr	29.7	33.3
May	25.8	35.9
Jun	29.1	31.5
Jul	38.5	30.2
Aug	29.9	30.5
Sep	32.5	37.6
Oct	33.0	35.3
Nov	34.1	31.1
Dec	31.6	25.3
1991 Jan	31.3	20.8
Feb	34.0	32.9
Mar	32.9	31.6
Apr	33.8	31.8
May	30.9	32.7
Jun	31.0	30.9
Jul	44.4	30.5

Source: Department of Employment

REGIONAL REVIEW

INTRODUCTION

In the preceding Labour Market section, changes in Scottish employment patterns were analysed. However, whilst labour market movements differ between Scotland and the rest of the UK, they also vary within Scotland. The purpose of the Regional Review is to examine sub-Scottish movements in employment situation. Inter-authority variations which have occurred over the last year will be considered as well as intra-regional disparities.

The data used in the previous section was adjusted to take account of seasonal factors affecting employment situation. Data availability, however, necessitates that unadjusted figures be used for disaggregated analysis and thus cautious interpretation is required when comparisons are drawn between the current unemployment position and that which prevailed last month and last quarter.

In this issues of the Commentary, we continue to use two types of unemployment rate. The first is a narrow measure based on an incomplete definition of the workforce which incorporates only employees in employment and the unemployed, excluding the self-employed, HM Forces and those on work-related government training programmes. The more recent wide/workforce based calculations incorporate all of the above components and are thus a more accurate reflection of the unemployment situation. Generally, both rates have been analysed but in assessing intra-regional variations only the wider rates have been utilised.

TIME-SERIES ANALYSIS

It has already been mentioned that the data used in this section has not been adjusted to reflect seasonal influences. When comparing the unemployment situation in July 1991 with that which prevailed in July last year, this is not problematic. However, it is also desirable to examine movements which have occurred within periods of less than a year and this can give rise to difficulties of data compatibility. By analysing a time-series of unadjusted unemployment totals, a picture, albeit sketchy, of the seasonal troughs and peaks in the Scottish labour market can be gleaned, thereby partially circumventing this problem. It should then be possible for periods of less than twelve months, to separate out seasonal swings in unemployment from underlying trends.

Table 1 presents information on Scottish unemployment over the twelve months to July 1991. The data is provisional and subject to revision on the part of the Department of Employment. During the year to July 1991, the wide unemployment rate has risen markedly from 8.1% to 9.2% but the pace and direction of change has been far from steady. Between July and October of 1990 unemployment was on the decrease with the most notable fall occurring between August and September when the unemployment rate fell by 0.2%. From October to the present however, the monthly unemployment rate has either remained unchanged (from March through to June it stood at 8.7%) or has increased. Between December and January the proportion of the workforce out of employment increased from 8.2% to 8.6% but this was surpassed by the rise occurring between June and July where it rose from 8.7% to 9.2%. The corresponding increase between June and July of 1990 was 0.3% (from 7.8% to 8.1%).

In previous Commentaries it has been suggested that seasonal influences would appear to result in unemployment decreases between April and May and August and October but increases between December and January and June and July. Whilst the latest set of figure does not contradict this observation, the scale of recent increases surpasses that of previous years and rises in unemployment have been noted for months normally recording declines. This implies a general worsening of unemployment situation not associated with seasonality. An examination of seasonally adjusted data confirms this to be the case. The adjusted unemployment rate has been increasing since January rising from 8.1% at the start of the year to 9.1% in July. The underlying trend for unemployment in Scotland is undoubtably one of increase which is similar to the trend in the rest of the United Kingdom.

The proportional change in unemployment totals between each month is also indicated in Table 1. Unsurprisingly, these broadly mirror the movements noted for unemployment rates. The greatest reduction in monthly totals occurred between August and September (-2.9%) and the only monthly decrease witnessed this year between April and May was a proportional decline of only -0.8% compared with a fall of 4.4% for the same months the previous year. At the opposite extreme, a 6.0% increase occurred between June and July. A 4.8% rise was evident between December and January and a 3.7% increase was witnessed between November and December. With the exception of April/May, there have been monthly increases in unemployment since October emphasising the rising unemployment trend currently afflicting Scotland.

This view is confirmed by comparing changes in male and female unemployment totals. The female labour force participates in seasonal employment to a greater degree than their male counterpart and thus are subject to greater variation in monthly unemployment totals.

However, excluding April and May, male unemployment has been rising since October 1990 with the greatest of these being experienced between November and December (+4.2%) and December and January (+4.5%). Between June and July male unemployment rose by 3.5% but this is modest in comparison with the 13.5% increase recorded for female unemployment between these months.

TOTAL UNEMPLOYMENT

Table 2 shows for each local authority region and island and for Scotland as a whole, the narrow and wide unemployment rates, the numbers unemployed in July 1990 and 1991 and the change which has occurred over the twelve months. Quarterly and monthly changes are also indicated but the utilisation of unadjusted data means that careful interpretation of these short-term shifts is required. While they may be indicative of developing trends, they are more useful for the purposes of drawing inter-authority comparisons.

In the year to July 1991, Scottish unemployment rose by 26,937 (a 13.4% increase) to stand at 228,376. This represented 9.2% of the labour force or 10.5% of the narrowly-defined workforce. In July 1990, the corresponding figures were 8.0% and 9.2% emphasising the worsening in unemployment situation over the last year. Increases in the level of unemployment were evident in the quarter and month preceding July. In the three months following April, there was a 5.2% increase in the numbers out of work, a rise of 11,385. The corresponding increases between June and July were 6.0% and 12,875.

With the exception of Shetland, all local authority areas experienced annual increases in unemployment totals. The Borders was again the region recording the most substantial rise with 33.9% more people unemployed this July compared with last year. Notably high increase were also evident in Fife (+21.7%), Dumfries and Galloway (+21.4%) and Lothian (+20.4%). Less substantial rises occurred in Central (+7.8%), Highland (+7.5%) and the Orkney Islands (+2.9%). In Shetland, 52 fewer people were out of employment in July 1991 compared with July 1990 and this represented a 14.2% decrease. Changes in sub-Scottish unemployment totals reveals considerable disparities in the fortunes of local labour markets and analysis of unemployment rates provides further evidence of this.

Variation is greatest amongst the island authorities with the unemployment rate in the Western Isles (12.1%) some 4.65 times greater than the rate in Shetland (2.6%) and 2.95 times higher than the Orkney figure (4.1%). This is a reflection of the unique economic circumstances affecting the island areas with oil-related activities exerting considerable downward pressure on the unemployment totals in Orkney and Shetland but having negligible impact on the Western Isles. Grampian has also benefitted from North Sea oil employment and exhibits the lowest unemployment rate of mainland Scotland at 3.8%. In unemployment terms, the Borders is also comparatively healthy with only 5.6% of the workforce unable to secure employment. Unlike other low unemployment areas, there is not a concentration of employment in the high-earning oil-related sector but rather an above average proportion of employees in low-earning agriculture and the fragile textiles industry. In July 1990, the Borders unemployment rate was only 3.9% and in April it was 5.1%. In June it had risen to 5.2% thus although the rate of 5.6% compares favourably with the rest of Scotland, the unemployment situation in the Borders is worsening.

On the mainland, as a percentage of the workforce, unemployment is greatest in Strathclyde at 11.5% but Fife and Central with rates of 10.4% and 9.4% are also faring poorly in comparison with the 9.2% Scottish average. The same broad pattern is apparent on analysis of the narrow rates with Shetland's 3.2% and the Western Isles' 16.1% marking the extremes. Last quarter, the extremes were 4.0% and 13.3% suggesting a widening in variation in unemployment situation.

The differential between the wide and the narrow unemployment rates is greatest in the Western Isles where 4.0% separates them. In Dumfries and Galloway the difference is 1.8%, in Orkney, 1.6% and in Highland, 1.5%. The differences between the wide and narrow unemployment rates is determined by the numbers who are self-employed, in HM Forces or on government-related training programmes. The authorities with the larger differentials are all rural and thus the bigger gaps are likely to reflect the concentration of agricultural and fishing activity characteristic to rural Scotland and the higher levels of self-employment associated with these industries. In the Western Isles however, it is also likely to reflect the generally higher levels of unemployment and hence increased participation in government-related training programmes, only included in the wider workforce count. This argument explains the differential of 1.6% in Strathclyde and Fife. The converse accounts for the small differences evident in the low unemployment but rural areas of Grampian (0.5%) and the Shetland Island (0.6%).

Mixed fortunes are evident on analysis of quarterly movements in unemployment totals. Three authorities saw the number out of work fall between April and July ranging from a 25.1% decrease in Shetland to more modest falls of 6.2% and 5.0% in Highland and Orkney. The most substantial increases occurred in Fife and the Western isles with respective rises of 10.3% and 9.6%.

Considerable disparity is also evident on examination of changes in unemployment occurring between June and July. Only Shetland experienced a monthly decrease in unemployment with a fall of 12.3% in unemployment totals. This however represented only 44 people. Elsewhere, increases ranged from 10.0% in the Western Isles and 8.0% in Lothian to 3.5% in Orkney and 2.0%

in Highland. Given that these represent changes occurring during only one month, the scale of movements implies an extremely unstable labour market.

Analysis of sub-Scottish data suggests that the long-term unemployment trend is one of increase but the rate of increase varies considerably throughout the areas making up Scotland.

MALE UNEMPLOYMENT

Information on the unemployment situation in the male labour market is presented in Table 3. As can be seen, in the twelve months to July 1991, male unemployment in Scotland rose by 23,348 to stand at 168,449. This 16.1% increase caused the male unemployment rate to rise. The narrow measure stands at 14.4% compared with the 13.9% reported in the last Commentary three months ago. For the wide based measure, July's rate is 11.9% compared with April's 11.5%. Last July, the narrow and wide male unemployment rates were 12.3% and 10.1% emphasising the poor performance of the male labour market during the last year. Quarterly and monthly increases were also evident. Between April and July, male unemployment increased by 5,398 (+3.3%) and a 5,764 (+3.5%) was recorded between June and July.

Considering annual changes, apart from Shetland, all local authorities saw male unemployment increase. The greatest proportional rises occurred in the Borders where 35.8% more males were out of work this July compared with last. Substantial rises were also witnessed in Fife (+25.7%), Dumfries and Galloway (+23.5%) and Lothian (+22.0%). More modest rises were noted for Orkney and the Highlands with respective increases of 4.8% and 9.7%. In Shetland, there were 21 fewer males out of work this July compared with twelve months previously. This represented 8.7% of the July 1990 total.

Examining workforce-based unemployment rates, Strathclyde remains the local authority area with the highest proportion of its male workforce unable to secure employment. This quarter's rate of 15.2% is higher than the 14.5% reported in the last Commentary reflecting the increased unemployment which is afflicting Scotland. The unemployment rates of 14.8%, 13.2% and 12.3% recorded for the Western Isles, Fife and Central are all above the 11.9% Scottish norm. Constrastingly, notably low rates were evident in Shetland (3.1%), Grampian (4.3%) and the Orkney Islands (4.6%). A similar pattern exists for the narrow-based calculations of unemployment rate except that the Western Isles have replaced Strathclyde as the region with the highest rate with some 21.9% of its males out of work. Shetland has the lowest male rate with 4.1% of its narrowly-defined ale workforce out of employment.

The majority of local authority areas saw male unemployment increase during the quarter to July 1991, with the most substantial of these being in the Western Isles and Fife with increases of 11.1% and 9.3%. Four authorities saw male unemployment decrease in the quarter following April. The most notable of these occurred in Shetland where there was a quarterly decrease of 27.5%. In Orkney and Highland, the decreases were less dramatic with proportional falls of 5.9% and 4.4%. In the Borders, a negligible drop of 0.6% was recorded.

Excluding the islands, disparity is less evident in the monthly changes in male unemployment. On the mainland, all authorities saw the number of males out of work increase between June and July ranging from +2.2% in Highland to +5.6% in Lothian. The monthly changes amongst the islands ranged from a 9.2% increase in the Western Isles to a 14.7% drop in Shetland.

FEMALE UNEMPLOYMENT

Table 4 contains information on the female unemployment position. Over the last twelve months, female unemployment in Scotland has risen by 3,589 (or 6.4%) and now stands at 59,927. This represents 5.6% of the total female workforce or 6.0% of the narrowly defined labour force. These rates are noticeably lower than the overall Scottish unemployment rates of 9.2% and 10.5% but the female labour market has not been isolated from the increasing unemployment trend facing Scotland. Between April and July, female unemployment rose by 5,987, a proportional increase of 11.1%. Between June and July, the corresponding figures were 7,111 and 13.5%.

In the year to July 1991, there were increases in female unemployment in all but three local authorities. The largest increases occurred in the Borders (+29.5%), Dumfries and Galloway (+17.3%), Lothian (+15.9%) and Fife (+12.1%). Of the areas experiencing annual decreases in female unemployment, the scale of change ranged from -25.0% in Shetland and -8.9% in Central to a minimal fall of -0.7% in Orkney.

Mixed fortunes are revealed on analysis of quarterly movements. Declines were again evident in three authorities: Shetland (-18.4%); Highland (-10.7%) and the Orkney Islands (-2.9%). Increases ranged from +2.5% in Central and +5.5% in the Western Isles to +13.6% in Strathclyde and +15.7% in the Borders.

The volatility of the female labour market is apparent on examination of changes which have occurred in the number of females out of work between June and July. Both Orkney and Shetland recorded monthly decreases respectively of 2.2% and 6.1%. Increases in excess of the +13.5% Scottish average were experienced in Strathclyde (+15.4%), Lothian (+15.5%) and Dumfries and Galloway (+16.2%). The higher disparity in female unemployment reflects the more seasonal nature of the female labour force.

The difference between the wide and the narrow

unemployment rate is much less for female unemployment than was the case for total and male unemployment reflecting the higher levels of self-employment and HM Forces amongst the latter group. Considering the wide rate, female unemployment is lowest in Shetland where only 2.0% of the female labour force is seeking work. Grampian, Orkney and the Borders are only a little behind with respective rates of 3.1%, 3.4% and 3.9%. The Western Isles continues to have the highest rate with 7.8% of its females out of work and this is noticeably poor compared with the 6.8% reported last quarter. Relatively high female unemployment rates were also noted in Fife (6.8%) and Strathclyde (6.6%).

It is important to remember that the analysis is confined to recorded or notified unemployment. It is quite likely that there are many females who are not counted as unemployed but who would enter the labour market should a job be available.

VACANCY LEVELS

Table 5 indicates registered vacancies for local authority areas. The data relates to unfilled vacancies notified to Job Centres and Careers Offices. The former deals mainly with openings for the over 18s whilst Careers Offices handle opportunities for young persons under 18 years of age. Since the latter group are now excluded from registering as unemployed following the extension of a guarantee of a place on a training programme, we continue to calculate a separate vacancy count which excludes vacancies notified to Careers Offices since this allows the generation of a more meaningful unemployment/vacancy ratio.

Vacancies are usually notified to either Job Centres or Careers Offices but may occasionally be notified to both services or to more than one Job Centre and thus may be included in more than one vacancy count. Consequently, there is likely to be some incidence of measurement error. Nationally, only about one third of vacancies are notified to Job Centres and Careers Offices and these tend to be for lower paid and lower skilled jobs. Hence from published vacancy data, a complete picture of the current demand for labour cannot be formulated.

In July 1991, there were 17,842 notified vacancies of which 783 (4.4%) were openings for young persons under 18. This was a 27.0% drop on vacancy levels a year ago, or a 26.6% decline if vacancies notified to Careers Offices are excluded. During the quarter preceding July 1991, vacancy levels fell by 11.4% in total and 12.2% for those openings notified to Job Centres. Thus, whilst unemployment is increasing, vacancy levels are decreasing which does not bode well for the Scottish labour market.

Analysing annual changes in vacancy levels amongst Scottish local authorities reveals mixed fortunes. Only the Shetland Islands saw their vacancy levels increase between July 1990 and July 1991. Excluding Career Office vacancies, there was an increase of 31.3% but incorporating this type of vacancy,the increase was only 16.7%. Elsewhere, negligible reductions of -3.0% and -5.6% were noted in the Borders and Central. Substantial falls were evident in a number of authorities particularly Grampian (-45.6%), the Orkney Islands (-41.2%), Fife (-38.0%) and Lothian (-34.8%).

Comparing vacancy levels in July and April, all authorities experienced declines except Dumfries and Galloway and Shetland. Indeed, in these two authorities substantial increases of 27.0% and 48.9% were recorded. In the rest of Scotland, however, decreases ranging from -3.0% in Fife and -5.6% in Orkney to -25.7% in Highland and -32.8% in the Western Isles.

By relating the level of vacancies to the level of unemployment, a broad indication of the number of registered unemployed people competing for each vacancy can be gleaned. However, since registered vacancies represent only a proportion of the number of unfilled vacancies, the real unemployment/vacancy ratio will be lower than indicated in Table 6. This effect will be partly offset by the fact that not only registered unemployed people are likely to be competing for the vacancies. Cautious interpretation of u/v ratios is consequently required.

In July 1991, the Scottish u/v rate excluding vacancies, notified to Careers Offices was 13.39 and including the latter component, 12.80. The corresponding figures in April 1991 were 11.16 and 10.78 reflecting both the increase in unemployment and the reduction in vacancy levels. These factors combined mean that more people are now competing for each job. The situation is even worse when compared with July 1990 when the u/v ratios were 8.66 and 8.25.

Within Scotland, the ratio is lowest in the Shetland Islands at 2.42 but comparatively low rates were also evident in the Borders (4.68) and Grampian (5.79). At the opposite extreme, notably high ratios were calculated for Fife (21.05), the Western Isles (19.97), Tayside (17.81) and Strathclyde (16.12).

Except in Shetland, Dumfries and Galloway, and Orkney, between April and July, all authorities saw their unemployment/vacancy ratios increase. The most dramatic of these occurred in the Western Isles where the u/v ratio increased from 12.25 to 19.97. Of those authorities seeing the ratio decline, the fall was most marked in Shetland where July's 2.42 compared favourably with April's 5.24.

INTRA-REGIONAL VARIATIONS

It is clear from the foregoing analysis that there are significant variations in the fortunes of regional labour markets located throughout Scotland. However, within the local authority boundaries, disparities also occur.

This section is intended to consider such intra-regional variations in unemployment. The data used to this end relates to travel-to-work areas (TTWAs). A TTWA is the smallest unit for which unemployment rates are calculated and it is an approximation to a self-contained labour market where most commuting to and from work occurs within the TTWA boundary. In mainland Scotland, there are 57 TTWAs. Each island area is classed as a TTWA and hence disparities which occur within Orkney, Shetland and the Western Isles cannot be drawn from TTWA statistics. They are thus excluded from the following tables.

Table 7 indicates the number of TTWAs contained in each region and the number of these with unemployment rates in excess of the Scottish and regional averages. If the majority of a region's TTWAs have unemployment rates above the Scottish average then this is an indication of a general high unemployment area such as Central, Fife or Strathclyde. The converse also holds with the Borders and Grampian serving well to illustrate such an instance. In the former area, none of region's five TTWAs have unemployment rates in excess of the Scottish norm.

Comparing the unemployment rates in TTWAs with the regional average is useful for identifying sub-regional areas with significantly above or below average unemployment. If the majority of a region's TTWAs have rates in excess of the regional average then this indicates the presence of a few areas, possibly even one, with below-average unemployment. Grampian is again useful for illustrating such a case with eight of its nine TTWAs having rates in excess of the 3.7% regional average. It is the large, low-rate TTWA of Aberdeen (3.0%) which is pulling down the Grampian figure.

Further indicators of the intra-regional distribution of unemployment can be gleaned from comparisons of the highest and lowest TTWA unemployment rate found in each region as indicated in Table 8. The range of rates occurring in each region and the ratio of highest to lowest unemployment rates has been calculated.

Dumfries and Galloway continues to be region exhibiting the biggest range in rates with the unemployment rate in Cumnock and Sanquhar some 12.4% higher than the rate in Stewartry. The differential is lowest in Borders where the percentage of the workforce out of work in Peebles is only 3.9% higher than the proportion unemployed in Galashiels and Kelso and Jedburgh.

The ratio of high to low unemployment rates is greatest in Grampian with unemployment in Forres some 4.47 times greater than is the case in Aberdeen. A ratio in excess of 3 was also noted in Dumfries and Galloway (3.07). The ratio is lowest in Lothian at only 1.71.

The foregoing analysis shows that there is considerable disparity in unemployment situation not only between authorities but also within them.

TABLE 1: UNEMPLOYMENT TOTALS - UNADJUSTED TIME SERIES, SCOTLAND							
	Unemployment Rate	Total	% change on previous Month	Male	% change on Previous Month	Female	% change on previous month
1990							
July	8.1	201,439	+4.0	145,101	+1.7	56,338	+10.2
August	8.1	200,926	-0.3	144,454	-0.4	56,472	-0.2
September	7.9	195,078	-2.9	143,881	-0.4	51,197	-9.3
October	7.8	192,956	-1.1	143,527	-0.2	49,429	-3.5
November	7.9	195,679	+1.4	145,942	+1.7	49,737	+0.6
December	8.2	202,950	+3.7	152,001	+4.2	50,949	+2.4
1991							
January	8.6	212,661	+4.8	158,840	+4.5	53,821	+5.6
February	8.6	213,729	+0.5	159,691	+0.5	54,038	+0.4
March	8.7	215,148	+0.7	161,649	+1.2	53,499	-1.0
April	8.7	216,991	+0.9	163,051	+0.9	53,940	+0.8
May	8.7	215,320	-0.8	162,454	-0.4	52,866	-2.0
June	8.7	215,501	+0.1	162,685	+0.1	52,816	-0.1
July	9.2	228,376	+6.0	168,449	+3.5	59,927	+13.5

Source: Department of Employment

TABLE 2: UNEMPLOYMENT BY REGION

	% Rate July 1991		Total July 1991	Total July 1990	Total Annual Change	% Change in Annual Totals	Total April 1991	Total Quarterly Change	% Change in Quarterly Totals	Total June 1991	Total Monthly Change	% Change in Monthly Totals
	Narrow	Wide										
Borders	6.8	5.6	2,625	1,961	+664	+33.9	2,529	+96	+3.8	2,460	+165	+6.7
Central	10.7	9.4	11,588	10,745	+843	+7.8	11,485	+103	+0.9	11,056	+532	+4.8
Dumfries & Galloway	9.2	7.4	5,207	4,289	+918	+21.4	4,930	+277	+5.6	4,844	+363	+7.5
Fife	12.0	10.4	14,948	12,286	+2,662	+21.7	13,547	+1,401	+10.3	14,186	+762	+5.4
Grampian	4.3	3.8	10,557	9,236	+1,321	+14.3	10,098	+459	+4.5	9,864	+693	+7.0
Highland	8.6	7.1	7,237	6,731	+506	+7.5	7.714	-477	-6.2	7,092	+145	+2.0
Lothian	8.8	7.8	30,922	25,680	+5,242	+20.4	29,242	+1,680	+5.7	28,636	+2,286	+8.0
Strathclyde	13.1	11.5	126,541	114,159	+12,382	+10.8	119,494	+7,047	+5.9	119,562	+6,979	+5.8
Tayside	10.0	8.6	16,460	14,238	+2,222	+15.6	15,671	+789	+5.0	15,622	+838	+5.4
Orkney Islands	5.7	4.1	419	407	+12	+2.9	441	-22	-5.0	405	+14	+3.5
Shetland Islands	3.2	2.6	314	366	-52	-14.2	419	-105	-25.1	358	-44	-12.3
Western Isles	16.1	12.1	1,558	1,341	+217	+16.2	1,421	+137	+9.6	1,416	+142	+10.0
Scotland	10.5	9.2	228,376	201,439	+26,937	+13.4	216,991	+11,385	+5.2	215,501	+12,875	+6.0

Source: Department of Employment

TABLE 3: MALE UNEMPLOYMENT BY REGION

	% Rate July 1991		Total July 1991	Total July 1990	Total Annual Change	% Change in Annual Totals	Total April 1991	Total Quarterly Change	% Change in Quarterly Totals	Total June 1991	Total Monthly Change	% Change in Monthly Totals
	Narrow	Wide										
Borders	9.2	6.8	1,835	1,351	+484	+35.8	1,846	-11	-0.6	1,763	+72	+4.1
Central	14.6	12.3	8,373	7,214	+1,159	+16.1	8,348	+25	+0.3	8,167	+206	+2.5
Dumfries & Galloway	11.2	8.3	3,522	2,852	+670	+23.5	3,362	+160	+4.8	3,394	+128	+3.8
Fife	15.8	13.2	10,827	8,610	+2,217	+25.7	9,910	+917	+9.3	10,410	+417	+4.0
Grampian	5.1	4.3	7,148	6,018	+1,130	+18.8	6,982	+166	+2.4	6,799	+349	+5.1
Highland	11.9	9.2	5,303	4,833	+470	+9.7	5,548	-245	-4.4	5,188	+115	+2.2
Lothian	12.4	10.6	22,975	18,826	+4,149	+22.0	22,214	+761	+3.4	21,755	+1,220	+5.6
Strathclyde	18.1	15.2	95,151	84,099	+11,052	+13.1	91,869	+3,282	+3.6	92,353	+2,798	+3.0
Tayside	13.4	10.9	11,637	9,799	+1,838	+18.8	11,309	+328	+2.9	11,256	+381	+3.4
Orkney Islands	7.0	4.6	285	272	+13	+4.8	303	-18	-5.9	268	+17	+6.3
Shetland Islands	4.1	3.1	221	242	-21	-8.7	305	-84	-27.5	259	-38	-14.7
Western Isles	21.9	14.8	1,172	985	+187	+19.0	1,055	+117	+11.1	1,073	+99	+9.2
Scotland	14.4	11.9	168,449	145,101	+23,348	+16.1	163,051	+5,398	+3.3	162,685	+5,764	+3.5

Source: Department of Employment

TABLE 4: FEMALE EMPLOYMENT BY REGION

	% Rate July 1991		Total July 1991	Total July 1990	Total Annual Change	% Change in Annual Totals	Total April 1991	Total Quarterly Change	% Change in Quarterly Totals	Total June 1991	Total Monthly Change	% Change in Monthly Totals
	Narrow	Wide										
Borders	4.2	3.9	790	610	+180	+29.5	683	+107	+15.7	697	+93	+13.3
Central	6.3	5.9	3,215	3,531	-316	-8.9	3,137	+78	+2.5	2,889	+326	+11.3
Dumfries & Galloway	6.8	6.1	1,685	1,437	+248	+17.3	1,568	+117	+7.5	1,450	+235	+16.2
Fife	7.4	6.8	4,121	3,676	+445	+12.1	3,637	+484	+13.3	3.776	+345	+9.1
Grampian	3.3	3.1	3,409	3,218	+191	+5.9	3,116	+293	+9.4	3,065	+344	+11.2
Highland	4.9	4.4	1,934	1,898	+36	+1.9	2,166	-232	-10.7	1,904	+30	+1.6
Lothian	4.7	4.5	7,947	6,854	+1,093	+15.9	7,028	+919	+13.1	6,881	+1,066	+15.5
Strathclyde	7.1	6.6	31,390	30,060	+1,330	+4.4	27,625	+3,765	+13.6	27,209	+4,181	+15.4
Tayside	6.3	5.8	4,823	4,439	+84	+8.7	4,362	+461	+10.6	4,366	+457	+10.5
Orkney Islands	4.1	3.4	134	135	-1	-0.7	138	-4	-2.9	137	-3	-2.2
Shetland Islands	2.1	2.0	93	124	-31	-25.0	114	-21	-18.4	99	-6	-6.1
Western Isles	8.9	7.8	386	356	+30	+8.4	366	+20	+5.5	343	+43	+12.5
Scotland	6.0	5.6	59,927	56,338	+3,589	+6.4	53,940	+5,987	+11.1	52,816	+7,111	+13.5

Source: Department of Employment

TABLE 5: REGISTERED VACANCIES BY REGION

	July 1991		April 1991		Quarterly Change (%)		July 1990		Annual Change (%)	
	Exc. COs*	Total	Exc. COs*	Total	Exc. COs*	Total	Exc. CO.s*	Total	Exc. COs*	Total
Borders	561	584	644	655	-12.9	-10.8	577	602	-2.8	-3.0
Central	1,017	1,036	1,117	1,126	-9.0	-8.0	1,090	1,097	-6.7	-5.6
Dumfries & Galloway	590	602	457	474	+29.1	+27.0	775	790	-23.9	-23.8
Fife	710	722	724	744	-1.9	-3.0	1,138	1,165	-37.6	-38.0
Grampian	1,824	2,095	2,111	2,296	-13.6	-8.8	3,626	3,852	-49.7	-45.6
Highland	1,045	1,068	1,426	1,437	-26.7	-25.7	1,394	1,434	-25.0	-25.5
Lothian	2,270	2,479	2,455	2,713	-7.5	-8.6	3,299	3,804	-31.2	-34.8
Strathclyde	7,848	7,995	9,074	9,210	-13.5	-13.2	9,715	9,956	-19.2	-19.7
Tayside	924	976	1,170	1,194	-21.0	-18.3	1,328	1,382	-30.4	-29.4
Orkney Islands	62	67	63	71	-1.6	-5.6	100	114	-38.0	-41.2
Shetland Islands	130	140	80	94	+62.5	+48.9	99	120	+31.3	+16.7
Western Isles	78	78	116	116	-32.8	-32.8	110	110	-29.1	-29.1
Scotland	17,059	17,842	19,437	20,130	-12.2	-11.4	23,251	24,426	-26.6	-27.0

* Excluding vacancies notified to Careers Offices

Source: Department of Employment

TABLE 6: UNEMPLOYMENT/VACANCY (U/V) RATIOS BY REGION						
	July 1991		April 1991		July 1990	
	Exc. COs*	Total	Exc. COs*	Total	Exc. COs*	Total
Borders	4.68	4.49	3.93	3.86	3.40	3.26
Central	11.39	11.19	10.28	10.20	9.86	9.79
Dumfries & Galloway	8.83	8.65	10.79	9.61	5.53	5.43
Fife	21.05	20.70	18.71	18.21	10.80	10.55
Grampian	5.79	5.04	4.78	4.40	2.55	2.40
Highland	6.93	6.78	5.41	5.37	4.83	4.69
Lothian	13.62	12.47	11.91	10.78	7.78	6.75
Strathclyde	16.12	15.83	13.17	12.97	11.75	11.47
Tayside	17.81	16.86	13.39	13.12	10.72	10.30
Orkney Islands	6.76	6.25	7.00	6.21	4.07	3.57
Shetland Islands	2.42	2.24	5.24	4.46	3.70	3.05
Western Isles	19.97	19.97	12.25	12.25	12.19	12.19
Scotland	13.39	12.80	11.16	10.78	8.66	8.25

* Excluding vacancies notified to Careers Offices

Source: Department of Employment

TABLE 7: TTWAs WITH UNEMPLOYMENT RATES ABOVE THE SCOTTISH AND REGIONAL AVERAGE, JULY 1991					
	No. of TTWAs	No. above Scottish Average*		No. above Regional Average*	
Borders	5	0	(0)	3	(3)
Central	3	2	(2)	2	(2)
Dumfries & Galloway	7	3	(4)	3	(4)
Fife	3	2	(2)	1	(1)
Grampian	9	1	(1)	8	(7)
Highland	8	1	(3)	3	(4)
Lothian	3	1	(1)	1	(1)
Strathclyde	12	8	(8)	5	(6)
Tayside	7	2	(2)	2	(2)
Scotland	57	20	(23)	28	(30)

* Figures in brackets refer to the situation last quarter (April 1991)

Source: Department of Employment

TABLE 8: TTWAs WITH HIGHEST AND LOWEST UNEMPLOYMENT RATES, JULY 1990							
		Unemployment Rates*		High - Low*		High/Low*	
Borders	H Peebles L Galashiels/Kelso & Jedburgh	8.4 4.5	(7.5) (4.1)	3.9	(3.4)	1.87	(1.83)
Central	H Alloa L Stirling	12.7 6.9	(11.9) (10.2)	5.8	(1.7)	1.84	(1.17)
Dumfries & Galloway	H Cumnock & Sanquhar L Stewartry	18.4 6.0	(16.0) (4.9)	12.4	(11.1)	3.07	(3.27)
Fife	H Kirkcaldy L North East Fife	11.6 6.1	(10.4) (5.5)	5.5	(4.9)	1.90	(1.89)
Grampian	H Forres L Aberdeen	13.4 3.0	(12.0) (2.9)	10.4	(9.1)	4.47	(4.14)
Highland	H Wick L Badenoch	11.7 4.9	(11.0) (6.0)	6.8	(5.0)	2.39	(1.83)
Lothian	H Bathgate L Haddington	10.8 6.3	(10.7) (5.5)	4.5	(5.2)	1.71	(1.96)
Strathclyde	H Greenock L Oban	13.8 4.7	(13.5) (5.4)	9.1	(8.1)	2.94	(2.50)
Tayside	H Arbroath L Blairgowrie & Pitlochry	11.2 4.9	(10.5) (5.0)	6.3	(5.5)	2.29	(2.10)

* Figures in brackets refer to the situation last quarter (April, 1991)

Source: Department of Employment