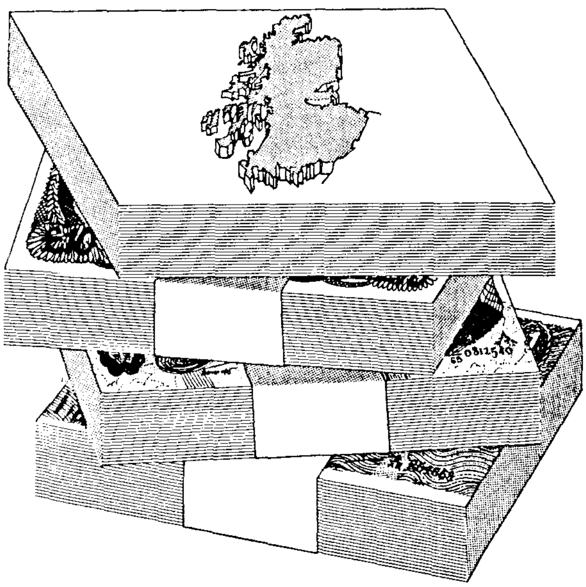
THE SCOTTISH ECONOMY

INDUSTRIAL PERFORMANCE



SHORT-TERM FORECASTS*

The forecast of quarterly movements in the seasonally-adjusted Scottish output index for production industries (Divisions 1-4 of the 1980 SIC) is based on the short-term model of the Scottish economy, details of which are contained in the Briefing Paper in the September issue of the Commentary. Note that here the classification of production industries excludes construction but includes SIC Class 13 (oil and gas).

As a reminder, the current Scottish output is modelled as driven by the current and past UK outputs, and also by the past scottish output. 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. Since the quarterly forecasts for the UK output beyond the fourth quarter of 1992 are not yet available, the present forecasting period remains the same as that in the last issue. However, the output equation is reestimated using the revised official data on the UK and Scottish output series. Therefore, the difference between the present forecasts and that in the last issue is totally due to data revision.

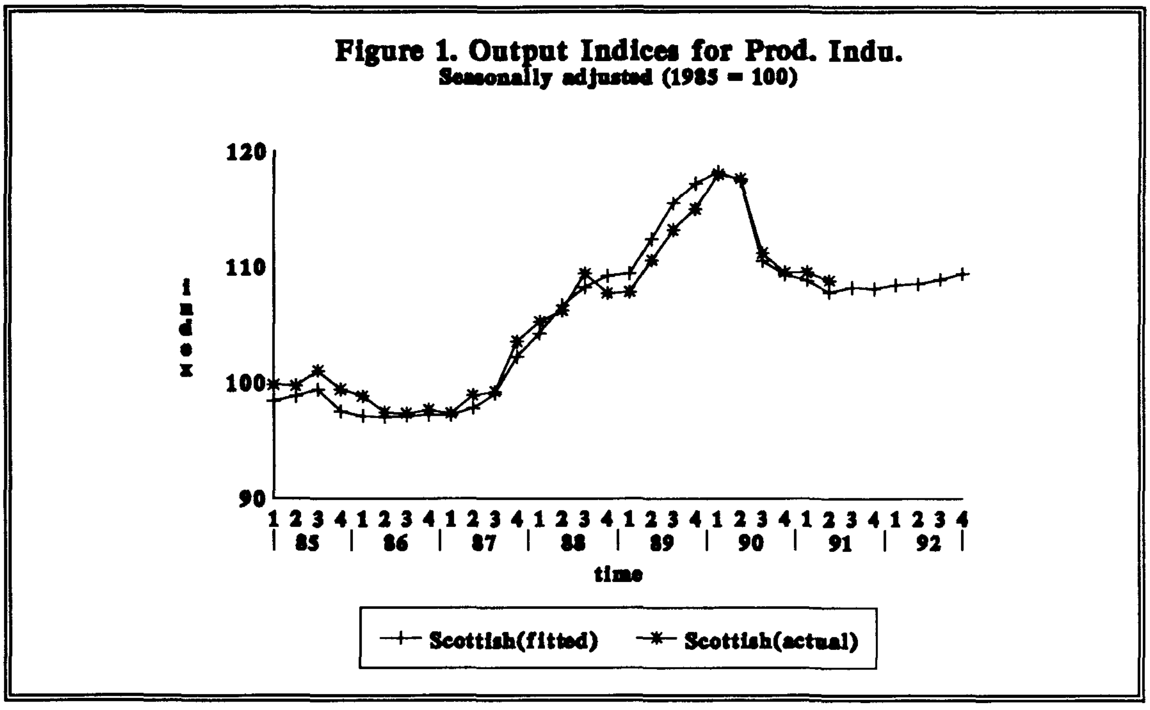
Figure 1 shows movements in the actual output index and in the index as predicted by the model, and also shows forecasts for the period 1991 Q1 to 1992 Q4. Further details of the actual and projected indices are shown in Table 1. From Figure 1 it can be seen that the model tracks the actual index reasonably well. The underprediction of the sharp rise in industrial production in the later part of 1989 as in the last forecast is now alleviated.

The model forecasts a fall of 5% in the output of the production industries during 1991 followed by a modest 0.6% recovery in 1992, as compared with 1.5% and 0.9% respectively in the last forecast. 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 recovery remains even more hesitant in 1991 and throughout much of 1992 as compared with the last forecast. This is very much in line with the expected performance of the Scottish economy and the UK economy as a whole.

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

	Actual	FAI Model
1988	107.1	107.1
1989	111.7	113.6
1990	114.1	113.9
1991	-	108.2
1992	-	108.8
1990 Q1	118.0	118.2
Q2	117.6	117.4
Q3	111.4	110.5
Q4	109.9	109.3
1991 Q1	109.9	108.8
Q2	108.8	107.8
Forecast		
Q3	-	108.2
Q4	-	108.1
1992 Q1	-	108.4
Q2	-	108.5
Q3	-	108.9
Q4	-	109.4
%Change		
1990/89	2.1	0.3
1991/90	-	-5.0
1992/91	-	0.6
90Q4/89Q4	-4.8	-6.7
91Q4/90Q4	-	-1.1
92Q4/91Q4	-	1.2

* 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

Business Confidence

In the third quarter in Manufacturing, there was a further improvement in the balance of optimism with a net balance of 12% of respondents more optimistic than they were in the previous quarter. In the second quarter, the percentage of respondents who were more optimistic was exactly balanced by those with less optimistic expectations ie. a net balance of 0%, and this represented an improvement in confidence on earlier quarters. A net balance of 17% of Manufacturing respondents were less optimistic than they were in the same period a year ago. This represents a relative improvement of 10 percentage points on the figure for the second quarter where there was a similar improvement over the first quarter.

Within Manufacturing, a considerable number of sectors had more respondents reporting increased than decreased optimism. Perhaps surprisingly, Textiles firms display the highest positive balance (+26%), followed by Electronics (+20%), Food, Drink & Tobacco (+17%), Metal Manufacturing (+16%), and Paper, Printing & Publishing(+11%). Confidence improved considerably in Chemicals (+6%), although in Other Engineering firms continued to display low levels of confidence about future prospects (-10%).

In Construction, there was a marked improvement in business confidence during the third quarter, although this was largely confined to the Aberdeen and Glasgow Chamber areas. Nevertheless, a net balance of 3% of firms were more optimistic than they were in the previous quarter, compared with negative balances of -25%, -13% and -32%, respectively, in the preceding three quarters. A net balance of 29% of respondents were less optimistic than they were a year ago, an improvement of 21 percentage points on last quarter's figure.

In Retailing and Wholesaling, there was also a considerable improvement in business confidence. In Retailing, a net balance of 18% of respondents were more optimistic than they were three months ago, compared with -1% in the second quarter, while in Wholesaling a net balance of 9% were more optimistic, compared with a negative balance of -5% in the previous quarter.

Tourism and Leisure respondents, with a net balance of 27% were more optimistic than three months earlier compared with +12% in the last Survey, clearly experienced a significant improvement in confidence. However, while respondents are asked to set aside seasonal influences it appears likely that attitudes are still likely to have been influenced by the summer upturn in business. Seven percent of respondents were less optimistic than they were a year ago, compared with 44% in the previous quarter's Survey.

Orders and Sales

Despite the general improvement in business confidence there was little improvement in orders and sales with the exception of Retailing and Tourism.

In Manufacturing, the balance reporting a decline in total orders and sales increased from 4% (orders) and 9% (sales) in the previous quarter to 12% and 13%, respectively, in the third quarter. Demand from all sources appeared to weaken further, although there appears to have been some slowdown in the rate of decline of domestic Scottish orders.

In Construction, while orders continue to decline, the rate of decline appeared to moderate somewhat in the three months to October. Demand from the public sector suffered a further deterioration, while there was some slackening in the rate of contraction of Other Public and Private Sector orders.

The trend in Retail sales continued upwards with a net balance of 14% of respondents reporting an increase in sales compared with a net balance of 6% in the previous quarter. In Wholesaling, however, the sales trend turned negative with a net balance of 6% of respondents reporting a decline in sales compared with a positive net balance of 7% in the second quarter Survey.

In the Tourism and Leisure sector there was a complete turnaround in the demand position with a net balance of 1% reporting and increase in demand compared with a net balance of 30% reporting a fall in the previous quarter. As noted above with respect to business confidence this improvement cannot be divorced from the usual seasonal upturn during the summer months.

Stock Adjustments

Manufacturers continue to run down stocks of both finished goods and raw materials with net balances of 15% and 18%, respectively, reporting a decline. This represented a somewhat slower rate of decline than the position in the second quarter.

Finance and Investment

In the Financial sector the positive trends in advances continued into the third quarter. The trend in personal advances remained largely unchanged while that for corporate advances moderated with a smaller net balance of respondents (18%) than in the previous quarter (38%) reporting an increase. The present quarter also saw a moderation of the growth in demand for working capital. The demand for finance for investment in buildings, and plant and equipment continued to decline although apparently at a declining rate. This was supported by respondents in Manufacturing and Construction who reported further downward revisions of investment intentions. Where investment occurred it was largely for replacement purposes.

Expectations

Manufacturing respondents have now raised their expectations with a small net balance of firms (4%) anticipating an increase in orders in the final quarter of the year. The percentage expecting an increase in sales is exactly balanced by the percentage expecting a decline. Both Retailing and Wholesaling respondents expect on balance further increases in sales during the fourth quarter, while Construction respondents are alone in anticipating further contractions of orders.

Chambers of Commerce Areas

Apart from Aberdeen, which again continued to be the most buoyant area, Dundee performed the strongest of the five other Chambers' areas in the present quarter. Fife performed particularly well in terms of Retail sales, while Wholesale activity in Edinburgh remained relatively buoyant. However, the performance of the Edinburgh economy was generally poor, with Tourism and Manufacturing turning in the worst performance of all the areas. In addition, Construction and Wholesaling were performing particularly badly in the Fife area.

CBI

Business Confidence

Optimism increased for the first time since January 1989. This increase in optimism is based upon respondents expectations that the decline in demand will slow during the current four month period. Output is expected to rise for the first time since July 1990.

Demand

Despite the improvement in optimism, demand and output fell further during the four months to October, although the rate of decline slowed. The fall in demand and output over the last period was more severe than had been anticipated from the previous Survey, however, it was in line with the decline reported in the UK as a whole. During the current four months the downward trend in demand is expected to slow considerably with a moderate increase in output.

Employment

Scottish manufacturers reported the sharpest cut back in employment during the four months to October since April 1981. While job shedding is expected to continue at a significant rate during the current four month period, it is likely to be at a slower pace.

Costs and Prices

Firms reported that unit cost growth had slowed further in the four months to October. Nonetheless, profit margins continued to be squeezed as more firms reported that they had to cut prices. The downward pressure on prices is less severe in Scotland than in the UK as a whole. Average unit costs are expected to grow at a similar rate during the current four month period. Scottish firms, in contrast to UK firms, expect to be able to increase domestic prices significantly during the current four month period, thus improving margins.

Investment

Investment intentions in plant and machinery improved for the second successive survey, and were more buoyant that in the UK as a whole. Scottish firms expect to increase capital expenditure on plant and machinery during the twelve months following the survey; this is the first expected increase since January 1989. Only one in ten firms expect to invest in new capacity during the coming year. Scottish firms expect to increase training expenditure during the next twelve months; training spending intentions remained more buoyant in Scotland than in the UK as a whole.

Exports

Scottish manufacturers were more optimistic about export prospects for the coming year than they were in the previous survey. Although export orders and deliveries are expected to decline further in the current four month period, the rate of decline is expected to slow.

PRIMARY

AGRICULTURE AND FORESTRY

The Forestry Industry in Britain is in the process of undergoing major change, with the separation of the Forestry Commission's management structure into the roles of Forestry Enterprise and Forestry Authority. The Forestry Enterprise arm of the Commission is essentially responsible for the management and development of the Forestry Commission's existing holdings of afforested land, or land marked for forestation. The Forestry Authority is essentially a regulatory body for UK Forestry as a whole, an advisory organisation, and a developer of policy.

The changes take place at a time when forestry priorities and roles are undergoing significant changes. From being an organisation concerned with developing a large stock of timber to deplete stocks lost during World War 1, and later a body whose predominant role was in the maximisation of commercial return from timber production, the Forestry Commission is now required to place higher emphasis on the other roles that woodlands can play. These include diverse types of recreational activity, the enhancement of visual amenities, the support of wildlife and other ecological diversity, and enabling the development of integrated use of land.

Within Scotland, the Forestry Commission has declared objectives of encouraging diversity of tree cover (including restocking of nature species), a felling and replanting programme in which the weighting accorded to narrowing commercial consideration is reduced whilst that accorded to other uses (such as recreation, amenity and wildlife) is increased, and encouraging the developing of woodland management practice in the private sector which accords higher priority to these objectives.

The Forestry Commission is now considering a £2 million grant application from Forest Farm Partnership for the creation of a 500 acre Caledonian Pine Forest in Sutherland. If approved, the scheme would be the largest new natural pinewood scheme since the grant structure was changed in 1988 to encourage more environmentally - friendly planting. The scheme envisages a continuation of deer stalking and fishing on the estate's properties, but a cessation of sheep farming.

Whilst there can be little doubt that forestry practice is developing in a way that takes fuller account of "social" costs and benefits than previously, it is unclear to what extent agriculture in Scotland is characterised by such a change. Of course, policy makers insist it is doing so and should do so, and the pattern of incentives is gradually changing in a direction which at least incidentally, encourages a less intensive use of land. However, farming is the major contribution to Scotland's rural gross domestic product, and the commercial sacrifices involved in changing farming practices are significantly higher than in the case of forestry where social interests can be fostered at little net cost to the provider (at least up to a point).

An example of this tension is the case of oil seed rape production. Within agriculture, the allocation of land to different crops is particularly sensitive to the pattern of price support. In the past 15 years, oil seed rape has become an increasingly popular crop, and this has been aided by the allocation of generous price support to its producers.

Oil seed rape, however, has attracted criticism on two counts; first, that it is a major cause of complaint such as hay fever (or more seriously fever-type complaints), and secondly on the grounds of its adverse environmental impacts. Neither of these contentions can be said to have been substantiated yet however. Meanwhile, oil seed rape support is to be reduced in the near future, with strict controls being implemented on the quantity of land qualifying for support. As with other crops regulated by European Community Support, substantial charges in the nature of and level of support are taking place at the moment but often with very little (if any) advance notice being given to producers.

FISHING

In the period January to July 1991, the total quantity of fish landed into Scotland by UK vessels was 213,057 tonnes, this total being very slightly less than the weight landed in the equivalent seven months period in 1990. However, as the first three rows of Table 1 indicates, this constancy of overall landings masks important changes between different categories of fish.

Demersal species (the most economically important types of which are cod and haddock) fell by 12% in quantity landed. Quantities landed of cod and haddock fell by 19% and 25% respectively. However, landings by weight of pelagic species and shellfish each showed substantial increases, with mackerel and herring landings rising by 13% and 17%.

The prosperity of the industry is more closely related, however, to the value of landing. As has been observed in previous editions of the Commentary, there tends to be an inverse relationship between prices and quantities for the Scottish Fishing industry. In the seven month period, January to July 1991, demersal prices were 12% higher on average that one year earlier, where as shellfish prices fell (by 8%). Overall the value of landings by UK vessels into Scotland showed little change since one year earlier, being up by just two per cent.

Recent volumes of the Commentary have discussed at length the tension between maintaining sustainable yields of commercial fish stocks and the size and composition of present fishing catches. The European commission is determined to regulate the quantity, composition and age-structure of fish caught, in order to maintain sustainable yields. At the end of October, European fishery ministers made a compromise agreement on the permitted sizes of meshing in fishing nets. Ministers agree to increase minimum meshsize from 90 mm to 100 mm, with an optional 90 mm square mesh. However, a 90 mm minimum will be permitted provided that at least 50% of the catch is whiting, and no more than 10% is composed of the other main demersal species, cod, haddock and saithe.

For pelagic fishing, the minimum mesh size is to be raised from 32 mm to 40 mm, and other measures are being undertaken which are designed to prevent catch and discarding of small fish. Drift nets of excess of 2.5 km in length will be banned, in an attempt to protect dolphins and porpoises. Although each of these measures can hurt Scottish fishing interests in the short term, the European commissions more drastic proposals for a minimum (demersal) mesh size of 120 mm were not implemented.

In the longer term, the agreed measures should reduce the quantities of juvenile fish taken, and so help to safeguard the medium and long term interests of the Scottish fishing and fish-processing industries.

The financial plight of Scottish salmon farmers has become almost "critical" according to spokesman for the industry, with the cause being ascribed primarily to dumping of salmon by Norwegian fish farmers on European markets.

Attempt by representatives to persuade the UK Department of Trade and Industry to request the European Commission to take action against the apparent dumping has been unsuccessful to date.

With farm gate prices of £1.20 a pound being 20p to 25p below production costs, a number of fish farmers have called in receivers during 1991. An indication of the pressures facing the industry can be gauged from the fact that 58 of the 178 farm which had been operating a the start of 1989 are now no longer trading under their original name, or had disappeared. The Scottish industry would prefer that, rather than initiate the lengthy procedure required to verify whether dumping actually exists, immediate action in the form of a quota on Norwegian imports into Scotland or an import levy be introduced.

CONSTRUCTION

The latest index of construction figures for Scotland show an increase of 0.9% in the second quarter of 1991 to stand at 106.5. This figure is up 2.0% when comparing the latest four quarters on the preceding four. Recent quarterly indices for Scotland show that the Scottish construction industry is struggling to achieve any discernable trend. "Bumping along the bottom" is a much used phrase these days which is certainly half correct at least in terms of Scotland.

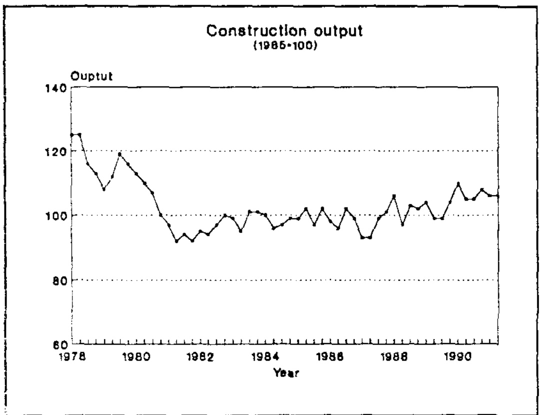
The UK as a whole, on the other hand is still falling, although from a higher point; the second quarter figure of 120.5 is down 3.5% in the quarter figure of 120.5 is down 3.5% on the quarter and 4.3% down when comparing the latest four quarters with the previous four. Not much evidence of "bumps" in the UK as a whole, but perhaps the third quarter will show a turning point.

The Department of Environment's summary of contracts obtained by contractors in the building industry for the second quarter of 1991 in Scotland, was up by 7.7% to £529 million on the first quarter. This was, however,

TABLE 1 FISH LANDINGS IN SCOTLAND: JANUARY AND JULY 1991

	Jan to Jul 1991			91 as % of 90		
	Weight Tonnes	Value £000	Price £/T	Weight %	Value %	Price %
Landings by UK vessels						
Demersal	100,532	106,720	1,062	88	98	112
Pelagic	88,058	10,573	120	110	112	101
Shellfish	24,467	33,994	1,389	121	112	92
Cod	20,274	26,609	1,312	81	91	112
Haddock	21,198	27,610	1,302	75	82	109
Whiting	17,398	11,220	645	124	94	76
Saith	7,613	4,341	570	108	133	124
Dover sole	21	63	3,000	64	54	85
Hake	1,411	2,514	1,782	150	133	88
Lemon sole	2,004	3,453	1,723	116	121	105
Ling	2,048	1,711	835	113	113	100
Megrims	1,737	2,438	1,402	124	137	111
Monks	5,673	12,768	2,251	106	117	110
Place	4,125	4,471	1,084	104	150	144
Skate	2,084	1,339	643	104	100	96
Sandeels	7,563	359	47	45	47	105
Dogfish Spur	3,474	3,439	990	149	142	95
Witches	1,257	1,550	1,233	105	132	125
Mackerel	70,656	8,728	124	113	114	101
Herring	13,045	1,667	128	117	108	93
Brown crabs	2,598	2,747	1,057	134	161	120
Green crabs	200	95	475	129	136	105
Velvet crabs	726	1,476	2,033	131	134	102
Lobsters	204	1,915	9,387	108	109	101
Pink shrimps	54	51	944	15	13	89
Squid	551	511	927	138	105	76
Scallops	2,326	4,031	1,733	10	88	860
Norway lobsters	9,921	20,656	2,082	112	111	99
Queen scallops	2,927	1,072	366	120	129	108
Periwinkles	1,136	617	543	132	138	105
Total by UK vessels	213,057	151,288	710	99	102	103
Landings by foreign vessel	9,143	2,694	295	74	104	141
Total landings in Scotland	222,200	153,982	693	98	102	104

10.6% down on the second quarter of 1990. The second quarter figure for Great Britain is £5455 million which is 16.1% up on the first quarter figure, however,like Scotland this figure is down on the figure for the second quarter 1990 by 12.6%.



In Scotland, a 37% increase in public sector new housing orders does not mask the decline in housing in general with a fall of 8.9% in private sector new orders compared with a rise of 31.9% in the same period last year. In the second quarter, public sector housing accounts for almost 7% of all new orders whereas private sector or new housing orders accounts for 29%. Thus, whilst all new work increased by 7.7% as above the increase over the same period last year (Q1 to Q2) was a much healthier 32.1%.

The latest SCBS, for the third quarter of 1991 shows an improvement in the balance of optimism to plus three per cent from a balance of minus twenty five in the second quarter. Aberdeen and Glasgow Chambers of Commerce areas are responsible for this apparent buoyancy, with the rest of Scotland returning negative balances.

Actual new orders in the third quarter showed a relative improvement to give a balance of -29% from a second quarter balance of -43%. Orders from Central Government worsened in the third quarter from a second quarter balance of -61% to -65%. Other public sector and private orders showed relative improvements. The expected trend in new orders for the fourth quarter exhibits a similar pattern.

The average capacity utilisation in the third quarter has improved to stand at 76%, However, this is lower than in the third quarter 1990 for a balance of 46% of respondents.

During the third quarter the trend in total employment was down for a net 26% of respondents, which was a relative improvement of some 13 percentage points from the second quarter balance of 39%. Whilst the trend was negative for all aspects of employment the largest downward trends were in employment of the self-employed, sub-contractors and in male full-time employment.

Of the respondents who increased salaries during the third quarter the average increase was 6.8%, down one percentage point on the second quarter. There was a reduction in the number of firms expecting to increase their training requirements down six percentage points to 15%, however, there was an increase of one percentage point in the number of respondents attempting to recruit up to 41% of these, 14% faced increased difficulties in recruiting suitable employees.

The North/South gap continues in house price changes according to the latest Nationwide Anglia House Price Index. Prices fell in almost all regions from the Midlands southwards, whilst Scotland and the other northern regions all experienced modest rises. Prices paid in Scotland rose by 1.3% in the third quarter, half the rate of increase recorded in the second quarter, but still the third consecutive quarterly rise. Price falls for new properties were offset by rises for modern and older properties. In the year ended September, prices in Scotland rose by 3.2% compared with a rise of 4.6% in the year ended June.

NHBC housing completions in Scotland rose for the second quarter in a row to stand at 3,500 (an increase of 6%) whilst housing starts fell by 9.7% to 3,100. This is broadly in line with Great Britain as a whole where completions were up by 9.8% to 39,200 and starts fell by 7.9% to 33,700, clearly showing that the house building sector is not out of the woods yet.

Looking at houses started in the Scottish regions and comparing the last two twelve month periods shows that Grampian is out in front with an increase of 17% once again showing that the oil industry is still keeping housing demand buoyant in the Aberdeen area. However, Central Region is not far behind with an increase of 16%, with Highland Region being the only other Region to show a positive increase. In comparing these figures it is important to consider population size: as an example, the Western Isles has increased by 100% but this means from 3 starts to 6 starts and so along with Shetland; + 60% (from 5 to 8) and Orkney -41% (from 17 to 10). The remaining regions have all decreased in the number of starts except Fife which has remained static with 690 starts in each period. The poorest regions are Dumfries and Galloway (-56%); Borders (-41%); Lothian (-26%) and Strathclyde (-20%). Comparing the UK regions Scotland finishes in eleventh place ahead of only Wales and the North of England. This must put a question mark over how "well" Scotland is faring in the recession.

Lilley's Chairman, Sir Lewis Robertson, said "Business is poor, margins are very poor and I doubt very much we're into economic recovery at all" when announcing the group's interim results which showed a pre-tax profit slump from £6.52 million last time to £1.73 million. In these recessionary times margins are the principle problem as the industry's players undercut to win what little business there is. Turnover remained fairly constant at £162 million although specialisations such as piling and tunnelling along with property development and house building, lost a little ground. But operating profits fell back from £8.7 million to £3.5 million; house building profits more than halved to £720,000 despite broadly similar levels of units sold. Lilley have been assisted by their profitable acquisition of Caledonian Land bringing in £776,000, against £466,000 before for the four and-a- bit months between acquisition and the year end. Their Spanish joint venture (reported in the last QEC) has already led to a tender for a project to extend the London Tube network and a hydro development in Northern Spain to which Lilley is contributing tunnelling experience.

Lovell Homes (Scotland) the Glasgow based house building subsidiary of the listed construction group Y J Lovell (Holdings) has been acquired by a management consortium for £10 million. The shares have been sold to Ambion Homes headed by Gavin London with backing from 3i along with Murray Ventures, Prudential Venture Managers and the Bank of Scotland. Murray Ventures, Prudential Venture and 3i have each put in about £500,000 while the Bank of Scotland has arranged the necessary long term funding as well as taking a small stake in the new company. With its extensive land bank, particularly around Bearsden and Milngavie, Lovell Scotland has been the envy of West of Scotland builders for some time. Now Ambion will operate in those areas as well as Kirkintilloch, Helensburgh, Kilwinning and Largs. By making the acquisition at a time when the market is low Ambion should be well placed to take advantage of the upturn (when it comes). They hope to sell about 140 homes in the first year of operation. Lovell Scotland as was produced pre tax profits of £960,000 for the financial year ended 30 September.

CALA the Edinburgh based house builder and developer turned in worse than expected losses of almost £7 million for the year 30 June. Total losses were made in spite of turnover of £93.3 million, an increase of £5 million over the 1989-90 period. Although difficult banking conditions were largely to blame they were not the only problem. At the beginning of the year CALA amalgamated four operating companies in the South of England, but due to inadequate control procedures costs in a number of areas had been much higher than anticipated. Two directors and the managing director of CALA Homes (South) have left the company and the CALA group is predicted to return a profit for the next half year of £2 million.

On a brighter note the Morrison Construction Group have landed a $6.28 million contract for the US Army Corps of Engineers in Kuwait. The work will involve renovation and repair of ferry terminal facilities at the war damaged Failaka Island, the first part of Kuwait to be liberated following the Iraqi invasion. This comes just one month after the announcement of a $7.9 million contract to repair damaged hangars and a flight training school at Kuwait International Airport and brings the total work awarded to Morrison to around $24 million since the end of hostilities.

ENERGY

OIL AND GAS

The Royal Bank/Radio Scotland oil index for September was 122.4 which, representing production of 2.02 mbpd, was the highest value since March this year and was 14.0% above the level in September 1990. Increased output between August and September occurred in a number of fields including Brent, Dunlin, Murchison and Claymore.

The average per barrel price of North Sea crude also rose in September to $20.46. However, the sterling value of this increase was substantially offset by a depreciation of the pound against the dollar. Taken together, price and production effects realised an average daily sterling value of output of £23.9 million in September, up 8% from August.

In late September, a meeting of OPEC ministers agreed to set a fourth quarter production ceiling for the cartel of 23.65 mbpd in an effort to realise a target price of approximately $21 pb. While well above the pre-existing limit of 22.3 mbpd, the new ceiling was actually very close to prevailing levels of OPEC daily output. The new ceiling is somewhat above the OPEC Secretariat's own projection of the fourth quarter call on the cartel's production and stocks of 23.39 mbpd. Furthermore, to produce even a projected demand for OPEC crude of 23.39 mbpd the Secretariat have assumed a fall in net exports from the former Centrally Planned Economies (CPEs) of 320 thbpd (16.5%) between the third and fourth quarter. As discussed in the last Commentary, while it is true that CPE (and notably the USSR) production is falling quickly, oil demand in these economies is declining perhaps as rapidly, and hence the reduction in **net** exports from the former CPEs may be far less sharp than suggested by OPEC. Thus, it is perfectly possible that, at 23.65 mbpd, OPEC production will exceed demand for its output, as has been the case for most of this year.

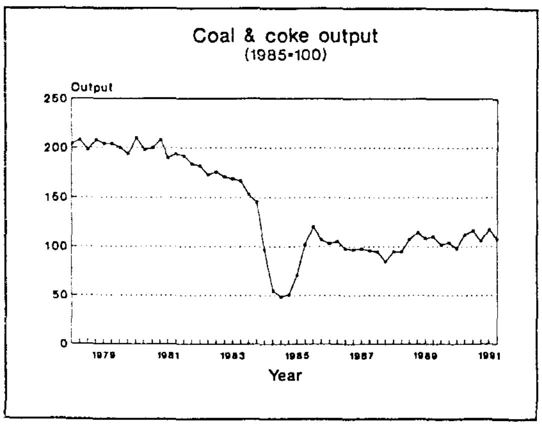
Over the next few months, an even more difficult problem for OPEC in realising its production/price targets will be to accommodate inevitably increased output from Iraq and Kuwait, for whom no allowance has been made in the present ceiling. Iraq, in particular, could quickly increase production to over 1 mbpd. At the OPEC meeting, it was suggested that Q1 1992 demand for the cartel's oil would be 'more than 25 mbpd', which would of course neatly accommodate renewed production from Iraq and Kuwait. However, it is difficult to reconcile this 25 mbpd plus figure with the OPEC Secretariat's own projection of a 24.03 mbpd Q192 call on cartel output, particularly since the latter assumes a **further** fall in former CPE net exports of 240 thbpd.

In a recent major survey of Scottish-based offshore companies, Scottish Enterprise found that Scottish-owned firms had a 30% share of oil-related work valued at £3.9 billion, with other UK firms having a 45% share, US companies 14%, and firms from elsewhere 11%. The survey also found that Scottish-owned companies were smaller than average in terms of turnover and employment and typically operated in a small number of niche markets. Scottish companies spent significantly more per capita on research and development than non-local firms, but also spent less than average on training per employee.

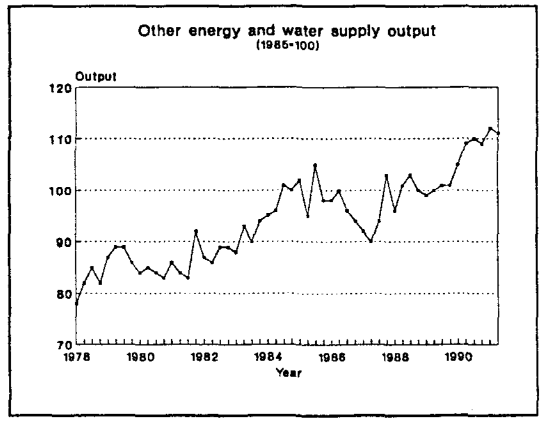
Scottish Enterprise have also forecast that offshore expenditure will peak at £8.6 billion in 1992, declining subsequently to £5.7 billion by 1995. Scottish Enterprise predict that global offshore expenditure will increase in real terms from £72 billion this year to £83 billion in 1995, with the major growth areas being South East Asia/Australasia and North America.

ELECTRICITY, COAL AND NUCLEAR ENERGY

The main developments in the non-fossil energy sector pertain to the growing concerns about monopoly power in electricity generating in England and Wales. Although this creates opportunities for the Scottish generators, the uncertainty created for the whole UK market cannot be beneficial.



Electricity prices in the English/Welsh 'pool' or spot market have risen by around 25% in the last year. While this has produced price levels commensurate with those projected at the time of electricity privatisation south of the border, large electricity users have stated their unhappiness with these projections themselves. A further indication that there is a problem with the operation of the market is that users have had difficulties in signing long-term contracts: it is in the interests of the dominant generators to concentrate demand on the spot market. While commentators have indicated that only the evidence of excess profits by the generating companies is a sure sign of monopoly power, there is a serious problem with this viewpoint. Experience in the United States has shown that excess profits can be hidden from regulators by allowing costs to rise above appropriate levels and by excess investment. Should the major generating companies go down this road, there will be little opportunity for the Scottish electricity companies to expand south of the border.



The government's response to the complaints has been to urge large users to self-generate. However, the current regulations compel such producers to sell and buy-back from the pool, thus incurring large pool user charges.

The Scottish firms have been taking advantage of the market opportunities currently available. ScottishPower have gained a major supply contract from ICI for their Teesside chemicals complex, worth £25m. As in similar deals, this is a financial option protecting ICI from the high points in the spot market. ICI are also being provided with a spot market forecasting service. The two firms already have supply contracts for plants in Scotland.

ScottishPower have also entered a joint venture with Babcock Energy to build, own and operate a domestic waste burning plant in Hampshire. This would come under the government's fossil fuel levy scheme, which does not apply in Scotland. ScottishPower are additionally planning a 450MW gas-fired power station in Sussex, which has a projected opening date of 1995.

The Northern Ireland-Scotland interconnector has been given the go-ahead. The link itself is to be funded by Northern Ireland Electricity at a cost of £170m as a part of the privatisation of the province's electricity supply industry. ScottishPower are spending £20m to upgrade the Ayrshire grid and have won a £30m supply contract for 1250GWh a year. The project is due to be completed by 1996.

This and the upgrading of the interconnector to England have increased demand for Scottish Electricity. Scottish Nuclear's response has been to consider re-opening Hunterston 'A' Magnox generating station. This would appear economic only in the light of government subsidies to the Scottish nuclear industry, coupled with the lack of any support or cross-subsidy for renewable energy sources in Scotland. Spent Magnox fuel is also more difficult to handle than that from other types of nuclear power station.

Scottish Nuclear have proposed setting up stores at its two sites, following US experience. These Modular Dry Vault stores have been developed in conjunction with GEC-Alsthom and would save £80m annual reprocessing charges, at a cost of £15m investment per site. Environmentalists consider this to be preferable toreprocessing. Scottish Nuclear are forecasting the construction of four new pressurised water reactors in the UK by 2005, of which one or two would be in Scotland. A decision would be needed shortly after the 1994 nuclear policy review. Greater energy conservation remains both the most cost-effective and the most environmentally acceptable way of meeting growth in electricity demand.

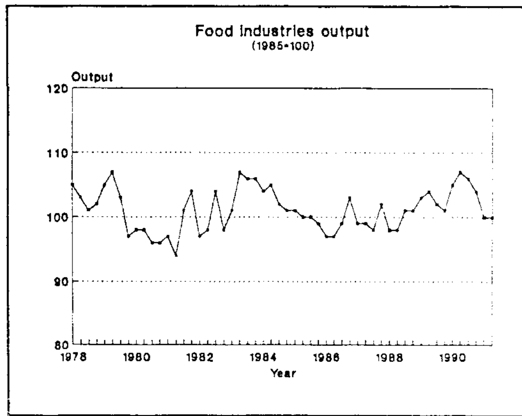
At a Financial Times World Energy Conference, a spokesman for the US Electrical Power Research Institute forecast that developed country generating capacity in the year 2050 (not a long way ahead, given power station building and operating life-cycles) could be as follows:

36% nuclear
30% advanced coal
23% renewable
7% natural gas
4% conventional coal

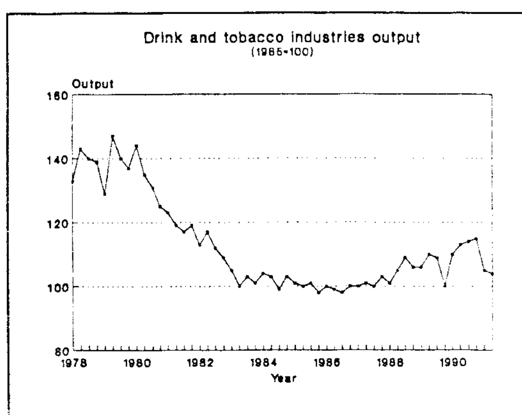
The present view is that, while Scotland might appear closer to this goal than would be expected, renewable energy ought to take up a larger proportion than on average, given the presence of hydro-electricity. The danger of privatisation is that gas power generation, previously under-represented south of the border, might become too prevalent, as a result of lower initial capital costs. The outcome would be higher long-term operating costs. The most glaring difference between the goal and the present reality is in advanced coal technology, where Britain lags behind not only most other developed countries but also a number of less developed ones. There is no indication that the present market set up will rectify this.

FOOD, DRINK AND TOBACCO

The index of production for the Food Industry in Scotland showed no change between the first and second quarters of this year. This replaces a series of quarterly reductions since early 1990, and may indicate that industry output is beginning to bottom out and this possibility is reinforced when it is compared alongside the fact that UK output was also completely flat between the first and second quarters of 1991. Over the year to the second quarter, output in Scotland fell marginally, by 1%. Looking longer term, however, it appears that Scotland's share of UK Food Production has fallen. Output in Scotland is now back at the same level as in 1985, and has bumped around this level since 1985. In contrast, UK output for 1990 was 5% greater than its 1985 level. This process has continued during the first half of this year due to a further 3% rise in UK output during the first quarter.



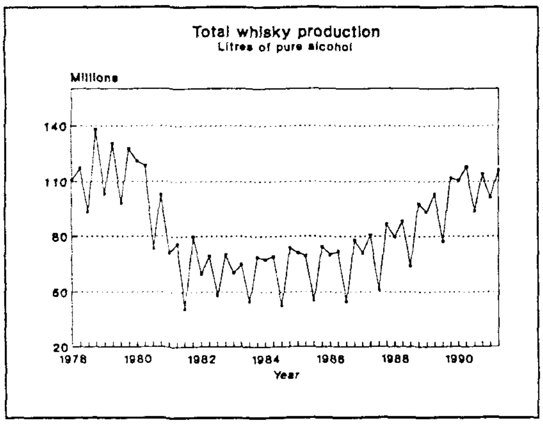
The Index for the Drink and Tobacco Production also fell slightly, by 1%, between the first and second quarters, following a very significant reduction between the fourth quarter of 1990 and the first quarter of 1991. The UK index also fell at the same time but by a much smaller amount and much of the drop in production in Scotland can probably be accounted for by the reduced output of grain whisky. Over the year to Q2 1991, total drink and tobacco production increased slightly by 1%.



In Food, Drink and Tobacco as a whole, the results of the Scottish Chambers'Business Survey suggests that the relatively flat trend in output in the early part of the year continued throughout the Summer, with 53% of companies reporting a level trend in sales in the three months until October, with sales in Scotland and in foreign markets holding up better than UK sales. Investment plans are largely unchanged from the previous survey, although there was some evidence that some new investment will occur in the next quarter. However, the majority of respondents (50%) cite lack of orders as a factor likely to retain output over the next quarter, and few companies expect to increase employment in the short term.

WHISKY

In the third quarter of this year exports of Scotch whisky picked up slightly from the dismal performance of the first six months, but are nevertheless poor. Total exports for the year to September stood at 155.1 million litres of pure alcohol, 7.2% less than the same period in 1990. Bottled-in-Scotland blends recorded a fall of 4% over the corresponding period of last year to 113.4 million LPA, while bottled-in-Scotland malt exports fell by 2.8% to 5.6 million LPA. Bulk exports of both malt and blended whisky were also substantially reduced.



Second quarter production figures show only very faint signs that distillers are cutting back in the face of declining overseas (and home) demand. The rapid increases in production witnessed over the last three years appears now to have stopped, although there is no sign yet of a serious attempt to reduce output. In the second quarter of this year overall production stood at 115.9 million LPA, a fractional decline on the corresponding period in 1990. As with the first quarter, this decline was entirely accounted for by a reduction in grain whisky production; production of malt whisky continues to increase, rising by 3.3% in the second quarter to 55.6 million LPA.

The takeover bid by Whyte & Mackay for Invergordon Distillers failed by a narrow margin, leaving Whyte & Mackay with a very substantial minority interest in Invergordon. Whether a further attempt at takeover will occur after the necessary lapse of time remains to be seen. It seems unlikely, however, that another hostile bid would be welcomed by either party, and there may yet be a resumption of the informal merger talks which apparently did take place some time ago. It is hard to believe that Whyte & Mackay would willingly commit so much money to a minority shareholding, and presumably the company does not relish the prospect of selling its shares in the open market, possibly at a substantial loss. The other possibility, of course, is that the entire shareholding could eventually be sold to a third party.

In November Burn Stewart of Glasgow announced its intention to float its shares on the stock exchange. Burn Stewart was the subject of a £7 million management buy-in in 1988, and in 1990 bought Deanston distillery from Invergordon, indicating its intention of becoming a distiller as well as major blender and bottler. Deanston is not yet in production.

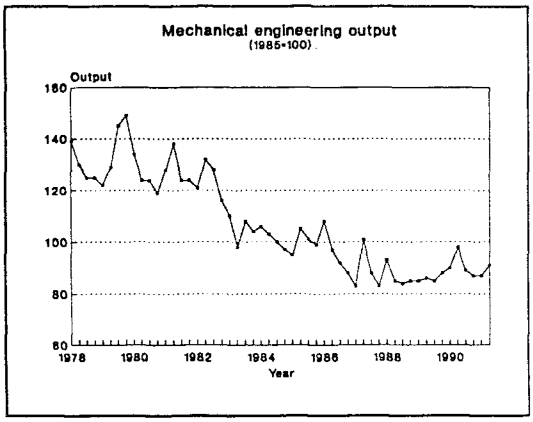
Another Scottish-controlled company, Inver House Distillers, has bought the Speyburn distillery from United Distillers, the second malt whisky distillery it has bought from the same source. In 1988, shortly after a management buyout from the American company Publicker Industries, Inver House bought Knockdhu distillery which had been mothballed by DCL in 1983. Production at Knockdhu began early in 1989.

No Shetlander should be ignorant of the importance of the whisky industry to Scotland and the UK, and Norman Lamont revealed that he is aware of at least some of the issues by securing a deferment of the abolition of duty-free sales within the EC. Such sales were originally doomed from January 1 1993 because of the single market legislation. However, lobbyists from Greece, Portugal, Spain and Ireland, as well as the UK, conspired to win a reprieve until July 1 1999.

MECHANICAL ENGINEERING

The impetus of the recession in Scottish engineering continues, although there are signs that the downturn is levelling out. The latest Index of Production shows that output rose by 4% in the second quarter of 1991 compared with a fall of 3% registered in the U.K. as a whole. The year on year index is down 2% but again this is in contrast to U.K. output which fell by 4%.

The signs of optimism are again seen in the latest Scottish Chambers Business Survey (SCBS) where the net balance of optimism has crept above zero and rests a +1%. New orders are expected to increase, in the next quarter, by a net 3.7% of firms although this increase is only expected to arise in the export market. The continued decline in orders from Scotland and the rest of the U.K. is forecast to weaken towards the end of this year. This weakness in obtaining new orders is cited by 85.1% of respondents as the primary obstacle to increasing output.



Unfortunately, the classic signs of an depressed economy are still with us. In the last quarter domestic sales were down for one third of companies and even the export market had a net balance of 1.7% firms reporting a decline. In the run up to New Year all markets are set to improve but a positive net balance of respondents still forecast a decline in sales to firms in Scotland and the rest of the United Kingdom. One third of respondents reported a depletion of stocks of finished goods and raw materials over the last three months and nets of 21.9% and 26.5% foresee a continuation in this trend.
Indications on capacity utilisation, Investment revisions and the level of work in progress reflect this depression. A net 27.5% of firms reported a decline in the level of work in progress over the third quarter and 22.5% expect this to continue. Capacity utilisation, currently running at 76.5%, is down on this time last year for a net of 46% of respondents. Investment decisions have been revised downwards on average by net 21.6% of firms with a further decline expected by a net of 17.4% respondents.

On the employment front, the utilisation of all categories of labour will continue to decline. Total employment fell for 16.9% of firms and 12.4% foresee no change in this trend. A further decline in overtime and temporary employment is expected in the run up to Christmas by net 25.3% and 21.1% of firms respectively. Pay increases of 6.5% were obtained in 15.5% of firms in the third quarter.

Skills and training considerations still represent a major headache for employers. With an inadequate supply of skilled labour and a net 15.0% of firms reporting increased difficulties in recruiting specific employees, a net 23.4% of firms have decided to boost their provision for training over the next quarter.

The conclusions of the SCBS study are broadly in line with a domestic study by the employers' organisation Scottish Engineering. This survey, which had an abnormally high return rate of 55%, also believes that Scottish manufacturing has reached the bottom of the recession but like SCBS offers little hope of a rapid recovery. Their survey showed that 83% of respondents had increased their provision for training. On orders, nearly 60% had a improving or at least non-decreasing intake of new orders. Plans for capital investment are expansionary in 70% of firms.

A more gloomy prognosis, at the U.K. level is offered by the Engineering Employers' Federation (EEF) which predicts that growth will not materialise until the second quarter of 1991. The EEF believes that a further 90,000 jobs will be shed in the coming 12 months. This comes on top of the 150,000 which have been lost in the past year and will leave engineering employment at 1.84m against 3m in 1980.

The Barr Thompson factory in Glenrothes, has won a contract for seven seal tube casings worth £1 million. The contract is good news for three other Fife firms - ORTEC, Venture Oil Services and Pfaulder Balfour - as Barr Thompson have sub-contracted them some welding work.

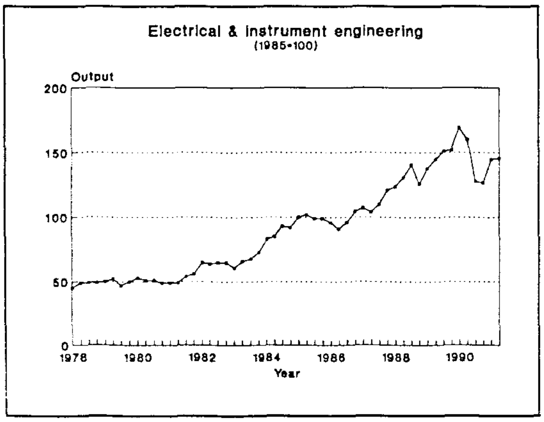
Weir Pumps of Glasgow has won orders worth £1.5 million for power station pumping equipment. The finished goods are bound for South Humberside and Malaysia. Miller Mining will be creating around 50 jobs in Westfield, Fife. they have won a contract to extract 4 million tonnes of coal over the next five years.

ELECTRONICS

In the last issue of this Commentary, reference was made to the very erratic output performance of the Scottish sector in recent months, principally the fact that a 20% drop in output between the second and third quarters of last year was followed by a 14% rise in the first quarter of this year. The most recent set of figures, for the second quarter of this year, only appear to add to the mire by recording an almost unchanged (down 0.7%) level of output between Q1-Q2 1991. In this, the industry's output performance in Scotland closely mirrors that in the UK as a whole, where output was completely flat. The index currently stands at 146 (1985=100).

Indeed, the figures for the second quarter suggest no more than that the industry is afflicted by the same recessionary pressures affecting all of manufacturing - total manufacturing output in Scotland also fell very marginally (by 0.4%) between the first and second quarters and UK manufacturing fell by 0.7%.

Over the year to Q2 1991, reductions in UK output were recorded in both the consumer and investment goods sectors, which fell by 2.6% of 4.1% respectively. For consumer goods, this represents a slight deterioration on the previous four quarters (ie in 1990) when output fell by 2.1%. Conversely, the reduced output of investment goods represents a slightly better performance compared with 1990, when output fell by 6.6%.



The current recessionary trend is, however, apparent from the above figures. In electronics in Scotland, the reduction in demand for investment goods appears to have had its greatest impact on the Electronic Data Processing (EDP) sub-section, where output fell by 1.3% in 1990[1].

Although this is a relatively small reduction, it is of some significance because this has been the fastest growing component of the electronics industry in Scotland over the last decade, with an average rate of output growth equal to a healthy 30% per annum[2]. In addition, the fall recorded in 1990 is only the second time that the value of output in EDP has fallen since 1980 (and the 1986 "blip" was quickly reversed). The EDP component has also seen its share of all electronics employment grow from 17% in 1980 to 26% by 1990.

Given the above, and some recent disappointing company news (see below) concerns have inevitably been raised as to whether EDP may have stopped growing and, indeed, whether there are likely to be heavy job-losses in this sector. Our feeling is that this is not likely to be the case. Further reductions in employment may of course occur depending on the length and severity of the recession, particularly as it affects the demand for investment goods, and we have attempted above to make the point that the recent behaviour of the index of production is essentially recession-driven. Clearly, this has already caused some unemployment and may cause more. However, it is our view that the recession will have to deepen quite considerably before it threatens the survival of the Scottish plants owned by the major industry core players located here.

Looking to the longer term, what is less certain is that EDP will be able to sustain the exceptional growth rates sustained in the 1980s, which were fuelled by a small number of major investments such as the arrival of Sun Microsystems and Compaq, and IBM's decision to produce the PS/2 at Greenock. The demand for personal computers will at some point become more of a replacement demand and we will see the established industry in Scotland satisfying this with much more modest growth rates. Another factor worth mentioning is that the recent spate of electronics investments in Scotland which occurred in companies sought to gain a foothold in Europe before 1992 must also inevitably begin to tail off.

Finally, we also note that the recession in consumer goods has also had a clear effect in Scotland, where output in the "Other Electronics" component (which indicates electronic consumer goods) fell by 15.9% in 1990.

As noted above, the impact of recession has began to tell on employment in electronics companies, the major effect so far being felt in Livingston with the closure of the Unisys plant and the consequent loss of 700 jobs. The closure is part of a worldwide rationalisation programme which Unisys hope will save £460m by cutting a total of 10,000 jobs from its worldwide operations. The operations previously performed at Livingston are to be transferred abroad, with manufacturing going to France, repairs to a more centralised facility in Holland, and product development work transferred back to the company's HQ in Michigan. While the loss of employment has rightly generated most concern, an extremely important subsidiary aspect is that over 20% of employees at Livingston were involved in product development, a figure considerably above the Scottish average[3].

Additionally, there has been the announcement in September that Ferranti is to trim a further 600 employees from its Scottish workforce. The problems at Ferranti are well known and have been discussed frequently in this Commentary, but this latest round of redundancies appears to have stemmed from the company's failure to be awarded contracts for the Challenger tank and the Merlin anti-submarine helicopter.

A worrying piece of news which emerged in September is that Compaq is to cut 150 jobs at Renfrew and Stirling. The problem have again been blamed on simple recessionary pressures and follow worldwide losses of £70m in the three months to September.

However, some more encouraging news has also emerged from the company sector in recent months. Prestwick Circuits, the Ayrshire-based PCB manufacturer has continued its acquisition-based expansion strategy with the purchase of two further companies, GTN, a Midlands-based manufacturer of specialised PCBs and Electroconnect, a PCB assembler based in Irvine. Purchase of both companies, which will continue to be run separately, has allowed Prestwick to increase its product range.

Prestwick has also secured two major deals with volume manufacturers. The first is to supply PCBs to Ford factories worldwide for use in engine-management systems. No figures are available on the size of the contract, but it clearly represents a major coup for Prestwick. Ironically, the first factory to be served will be the Ford plant at Cadiz in Spain, which Ford opened after the cancellation of their investment at Dundee. Secondly, Prestwick has also signed a £10m deal with IBM to supply PCBs for personal computers manufactured at Greenock.

Finally, Rodime, which recently announced its withdrawal from manufacturing in order to develop a new role as a technological and marketing company (see QEC, September, 1991) has got off to a running start by reaching licensing agreements with two major Japanese companies, Hitachi and Matsushita. This follows a series of deals with American companies and the announcement of $13m settlement of its dispute with IBM.

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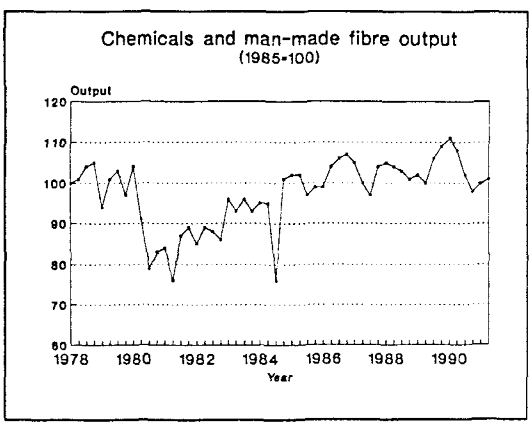
1. Scottish Office Statistical Bulletin, No C1.4, September 1991.
2. Ibid.
3. The SDA publication "Scottish electronics industry database" (1988) suggested that around 7.5% of employment in Scotland is R&D related.

CHEMICALS AND MAN-MADE FIBRES

The index of Production in this sector shows a rise of 1% in Scottish output during the second quarter compared with a 3% rise recorded for the United Kingdom as a whole. According to the year on year index output fell by 8% whereas U.K. output fell by only 3%.



In the latest Scottish Chambers Business Survey (SCBS) the net balance of optimism stands at +6.4% compared with -7.7% in the preceding quarter. New orders rose in the third quarter in both the Scottish and export markets while those obtained from the rest of the U.K. fell for a net 8% of respondents. The same story holds for sales where a rise in the overall trend is expected by net 9.5% of businesses. Trading with the rest of the U.K. appears to hold the best prospects with a net balance of 21.7% of firms expecting an upturn in fortune.

The depletion of stocks of finished goods and raw materials shows signs of abating and signals a more optimistic climate. In the fourth quarter, stocks are expected to decline by small balances of 4.0% and 8.0% respectively. This latter figure shows an substantial improvement since a balance of 27% reported falling stocks of raw materials in the third quarter. The drop in capacity utilisation also shows signs of weakening. The current figure of 79.3% is only down for a net 3.2% of respondents, when compared with this time last year.

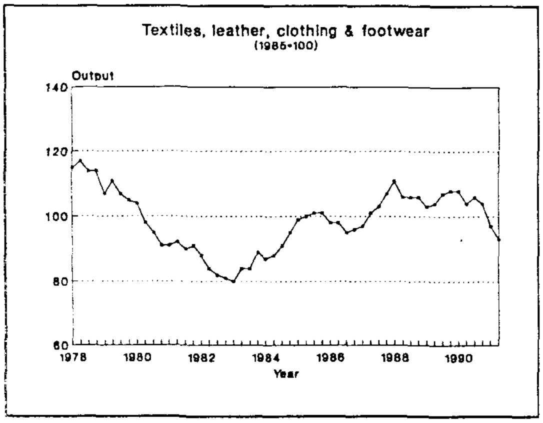
Investment intentions were revised downwards for balances of 15.6% in plant and equipment and 7.0% in land and buildings respectively. The decline in investment in plant and equipment is expected to continue by a balance of 9.7% of firms in the survey. The most popular reason for increasing investment was replacement (36.8%) and 86.2% of respondents cited a failure in the recovery of orders and sales as the most probable constraint on future output. Hopefully, the positive order and sales responses gained from survey participants points to rising output figures for the third quarter.

Employment prospects are gloomy in this sector. In the third quarter, the only increases in employment came from sub-contracting and self-employment. Total employment fell for a balance of 21.9% of firms and the largest acceleration in unemployment was experienced by male workers. In the fourth quarter reductions in temporary and sub-contract work are expected by 22.2% and 25.0% of respondents. Increases in wages and salaries 6.5% were obtained in 28.1% of firms. Restrictions on overtime are likely to remain in force for some time to come and balance of 20.0% of firms expect it to fall. Recruitment difficulties appear to be easing, compared with last quarter. A much reduced balance of 15.4% of firms reported problems but a balance of 8.3% thought that skill shortages were less acute than in the second quarter. A balance of 34.4% of firms expect their training provision to increase over the next quarter.

ICI has announced job losses totalling 140 next spring, when a chemical plant at the Ardeer site is closed. Sources say that H-Acid, an ingredient in the manufacture of dyestuff, can be purchased much more cheaply from Europe. Employees will either be relocated elsewhere at Ardeer or ICI will help them find alternative employment.

TEXTILES, LEATHER, CLOTHING AND FOOTWEAR

The Index of Production for this sector in Scotland fell by a further 4% between the first and second quarters of this year, a slight modification on the previous quarterly fall of 6%. As in the first quarter, the drop in output in Scotland is in excess of that for the UK, where output fell by only 2%. However, over the year until Q2 1991, UK and Scottish output both fell by 7%, suggesting that while recession may have taken longer to affect the industry in Scotland, its effects have eventually been just as severe.



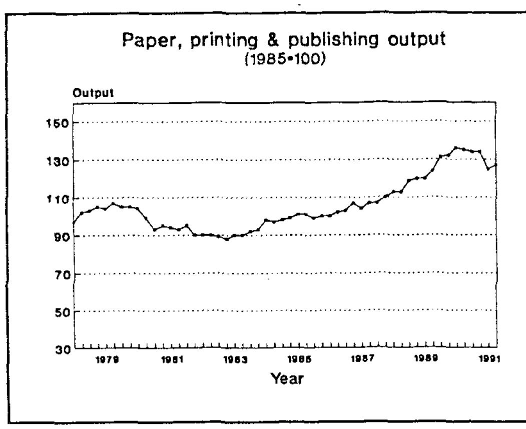
Reduced output continues to feed into reduced employment, particularly in the Borders. A total of about 700 jobs have been lost this year alone, with about 500 caused by closure. The majority of these have been in Hawick which itself has lost around 500 jobs since the beginning of the year, with the most significant loss due to the closure in September of James Renwick. 235 jobs have gone at its Hawick factory and a further 30 at Greenlaw. Renwick is owned by Jaeger and has been making losses for some years, with the parent deciding that it can no longer sustain these in the face of pressure being felt elsewhere in the group. Following the closure of James Renwick, the Hawick area is reported to have lost around 15% of its total textile and knitwear employment this year, a figure which also includes the closures of Hoggs, Hawico, John Scott, Marshall, Lauder and Wensland Spinning. That the Borders industry's reputation for quality, strongly believed to be it major asset in international markets, will not necessarily guarantee its future prospects, is probably best seen by the closure of Hawico, which manufactured under the Crombie name.

The cushion of increased protection against foreign imports afforded by the 17-month extension to the MFA negotiated in September may also turn out to be less of an asset than was hoped. Controversy over foreign competition erupted recently with representatives of the Borders' industry airing their views that Chinese cashmere has been illegally imported into Europe as some Eastern Bloc countries have used their MFA quotas to tranship Chinese garments into the major European markets. It is claimed, for example, that sales of Chinese cashmere garments in the EC in 1990 equalled the quota totals for 1990, 1991 and 1992. Representations have been made to the DTI, who are to raise the matter with the European Commission.

Finally, further job losses seem likely to occur at the bedding manufacturer Slumberdown. The company is currently in receivership and is working on orders due for delivery in December. The receiver was called in despite a rescue package financed by Borders Regional Council and Scottish Borders Enterprise in May, which pumped £3m into the company via a sale and leaseback operation.

PAPER, PRINTING AND PUBLISHING

The index of Production and Construction indicated that output increased by 1% from the first to the second quarter of 1991. However from the second quarter of 1990 to the second quarter of 1991 production fell by 3% in both Scotland and in the UK as a whole.



Evidence from the latest Scottish Chambers Business Survey suggests that optimism remained constant in the third quarter at a balance of +11%. Despite this apparent optimism, a net of -19% experienced a decline in total new orders, although a balance of +7% of firms expect total new orders to increase. Total sales decreased for a net of -26% responding firms but as with orders a net of +8% of firms expect total sales to increase in the fourth quarter. A balance of -9% of firms experienced a decline in total employment in the third quarter and a net of -13% of companies expect employment to continue to fall.

The Survey by the Scottish Print Employers' Federation declared that the industry is anticipating an improvement in trading conditions in the six months following November 1991. The Federation were encouraged by the expected upturn in Scottish and Rest of UK sales. Respondents to the Survey reported that 1991 has been the worst year for the Scottish printing industry since the recession in the early 1980's with profit margins being seriously eroded.

Johnston Press, the Edinburgh based newspaper publishers saw first-half pre-tax profits rise by 11.3% form £3.48 to £3.87 million. Turnover, however declined from £31.67 million to £31.33 million. This was put down to a downturn in the advertising market. The best performances were in Scotland with the company claiming that difficulties were not so pronounced. Much of Johnston's improvement came form bookbinding and not from newspaper publishing.

The Alloa based Weir Paper Products which is owned by Pratt Industries of Australia achieved a 10.4% rise in turnover during the year to the 30 June 1991. It made a pre-tax profit of £1.3 million on sales of £27.6 million. The performance reflected a reduction in raw material costs and improvements in production. The parent company announced investment of £850,000 at the mill, partly to improve environmental controls.

Scottish based paper manufacturers, Tait Paper of Inverurie in Aberdeenshire, announced new investment totalling nearly £14 million. The company owned by the Federal Paper Board Co of New Jersey accounts for around a third of UK exports in its product range of uncoated paper for copying, publishing, printing and stationery.

SERVICES

FINANCIAL SECTOR

The announcement by Scottish Mutual of its demutualisation and transfer to Abbey National brings to the surface once more, the possibility of a considerable reduction in the size of the Scottish life assurance sector. Despite the commitment of the Abbey National to the retention of a head office in the West of Scotland and a further development of business through Abbey Life, control of another of the smaller players in the Scottish life industry has moved outside of Scotland and it remains to be seen whether their commitment, given no doubt in good faith, will be honoured in the future as Scottish Mutual is integrated more closely into the Abbey National network. It is difficult to believe that it makes sense to have sales decisions on life products made independently of decisions on other savings or lending products. Nor does it seem sensible in the longer term for Scottish Mutual to be treated as a completely separate subsidiary since to do so would be to ignore some of the benefits that linking with Abbey National can bring. The evidence elsewhere in the financial sector has been towards increased centralisation. The recent changes at the TSB with the abolition of its three main regions provide an example of the gradual emasculation of regional decision making and the tendency to centralise head office functions in one location. Economies of scale and perhaps, more importantly, the need for close supervision of managers in the financial sector, suggest that there now exist powerful forces bringing together senior management and decision making personnel. In the circumstances it would be surprising if we did not see the slow but sure movement of senior officers from Glasgow to the Abbey National headquarters. Processing operations will no doubt continue in Glasgow and the West and, indeed, may well expand, certainly the transfer document suggests this, but key decision making will almost certainly shift south in the longer term.

Analysis of the demutualisation of Scottish Mutual has concentrated, in large part, on the benefits of the process to existing policyholders. The voting profit policyholders are being given "some additional benefit or payment for giving up their potential proprietary right of control over the company's operations and surplus". (1) It is difficult to value these rights and as the independent actuary's report makes clear the quantification of such windfall profits " must emerge as part of the bargaining process between the parties concerned". (2) Unfortunately, there has been little (any?) bargaining between the policyholders and the company's officers unless bargaining has taken on a new meaning! The extensive literature on agency theory charts the conflicts of interest that may exist between shareholders and their managers. By the same token clear conflicts exist between the policyholders and the managers. It is not apparent that adequate mechanisms exist for the protection of these interests. If demutualisation is to be an established option and process for small life offices it is perhaps time that the responsible regulatory bodies gave thought to the difficulties faced by policyholders. In a world of asymmetric information (the policyholders rely almost totally on the managers for information) the bargaining power is all in the management's hands. The independent actuary is one safeguard but since he notes in his report that it is essentially a bargaining process there must be real concern that further scope existed for the policyholders to receive a larger windfall profit than they will actually receive. This is not to impugn or denigrate the honesty and integrity of the Society's Officers. It is to accept that in an environment where no one correct answer exists the policyholders need someone who is negotiating on their behalf and not simply a passive referee.

It is inevitable that discussion should centre on the benefits of demutualisation to existing policyholders. They are, after all, the people who have to agree to the proposals. However, this perspective of concentrating on the cash benefits to existing policyholders is not totally adequate since it essentially ignores the significance of mutuality. Mutuality has long been held as the dominant force behind the success of the Scottish life offices. Under the mutual arrangement the ownership of the life office lies with the policyholders and the profits of the assurance business belong to the with profits policyholders. Surpluses which emerge do not require to be split between policyholder and shareholder as in a proprietary life assurance company. At the same time mutual protection has, it is claimed, allowed management to take on a longer term view of business development without the pressures for short term surplus earnings which may not be in the best long term interests of the policyholders. Apparently these benefits no longer exist, or at least have become secondary. The managers believe that in the current, more difficult environment the benefits of additional outside capital and an improved distribution network which can provide growth, are crucial.

The logic behind the incorporation of Scottish Mutual into Abbey National is essentially about the acquisition of a distribution channel because "the independent financial adviser sector, from which the society obtains almost all of its business, has been under pressure". (3) Wholesale changes do not appear to be high on the agenda. "Both Abbey National and Scottish Mutual agree on the importance of retaining the identity of Scottish Mutual within Abbey National Group with its Board having a significant degree of discretion". (4) The new entity, apparently, will be much the same assurance company as before but future policyholders will receive a smaller share of the profits since 10% of the profits of Scottish Mutual will now be available to the Abbey National group. Policies immediately look less attractive. A major benefit of mutuality has been lost, the accretion of all profits to the policyholders. Of course, the picture is not as clear cut as we have made out. Expansion and greater sales may reduce unit costs and hence improve benefits whilst the influx of capital (£285m) into the with profits fund of Scottish Mutual may generate greater profits, but a case remains to be made setting out the benefits to new policyholders from purchasing life cover from a company that will in future only pay 90% of profits to policyholders instead of the previous 100%.

It is possible that the management of Abbey National may intend to bring about radical changes in the operations of Scottish Mutual, cutting expenses, reducing staff and changing the management although there is little in the transfer document to suggest such changes. Superficially, at least, there is a case for such changes. The Financial Services Act has been with us more than five years and for the whole of that period interested parties have been pointing to the problems of the Scottish life assurance companies. "Financial services legislation dealing with the sale of investments may have a major effect on the role of intermediaries in life assurance markets and uncertainty regarding the outcomes of the process of change means that the Scottish life offices.....may have to devise new delivery systems." (5) The problems should not have come as a surprise. Why did it take the management so long to act? The board of the Society apparently decided in 1988 that demutualisation could be an attractive option but no explanation is given for the delay or, indeed, details of what other options were considered at the time.

The consideration of alternative options to merger with the Abbey National will have been a major concern of the board of Scottish Mutual for a considerable time. It is apparent that the competitive environment is less favourable than it has been and that expenses are rising whilst growth slows, but apart from a few brief paragraphs and a short appendix we are given little detail of the reasons for the managements decisions. Too little for a decision of such significance and magnitude. Closing the fund is dismissed as "not an appropriate course of action for the Society, part of whose philosophy is to continue to exist for the benefit of current and future policyholders" (6) but can one really accept that the proposed arrangements are in the best interests of **future** policyholders? It is true that expenses may fall with the new arrangements but policyholders will no longer be entitled to a 100% of the profits. Why shouldn't prospective policyholders go to another mutual such as Standard Life where they can obtain both the benefits of size and therefore low expense ratios, and 100% of profits? Closing the fund is no doubt an unattractive option for the employees. It may be unattractive for existing policyholders if the expenses of closure, redundancy payments and other such costs are large, (7) but it stretches credibility too far to argue that the proposed arrangements is in the interests of future policyholders.

One may also take issue with the calculations of the effect of closure of the fund. A key element is the assumption that closure would require a reduction in the equity proportion of the portfolio and hence in the yield. Both are almost certainly true in due course but at the same time the investment risk of the fund would also be reduced. You do not get something for nothing in financial markets. Higher yield is a reflection of higher risk, but if one ignores this higher investment risk the figure will inevitably look more attractive. In any event a closed fund would not need to be driven by marketing imperatives so that guaranteed bonuses could be much lower and the need for a lower proportion of equity reduced.

A decision of this importance requires proper analysis and discussion. In the absence of a large, active security analyst community providing information, the Society should have provided more detailed and comprehensive information than it has to date. There may be much of benefit in the takeover of Scottish Mutual by Abbey National. Unfortunately the transfer document is far from convincing. The problem is that the managers interests may not always coincide with the policyholders interests and as matters stand at the moment it is difficult to know if the balance between the two parties is approximately right.

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1. *Proposed* transfer of the business of Scottish Mutual Assurance Society to a wholly owned subsidiary of Abbey National plc. 7th October 1991, Section 3.3

2. Ibid Section 3.4.

3. Ibid Scottish Mutual Chairman's statement.

4. Ibid Abbey National Chairman's statement.

5. The Scottish Financial Sector, P Draper, I Smith, W

Stewart and No Hood. Edinburgh University Press, January 1988, circulated to the life offices 1986.

6. Ibid Section 2.5.

7. Note 10 to the Accounts records aggregate remuneration in 1990 as £13.8m (plus pension costs) for the Society. This compares with net assets of the fund of £1,676.6m and £401.3m in Ordinary and convertible securities. Given the normal variation in value of ordinary securities it is difficult to believe that redundancy costs, even on generous terms, are very significant.

DISTRIBUTIVE TRADES

The October Scottish Chambers' Business Survey (SCBS) suggested an improvement in wholesaler confidence during the third quarter, with a net 8.7% of respondents reporting increased optimism compared with three months previously. However, a small balance of respondents indicated that sales in Q3 1991 were lower than in Q3 1990. An overall majority (plus 9.6%) predicted that a positive year-on-year sales trend would emerge in the last three months of this year.

TABLE 1 - WHOLESALER OPTIMISM

CHAMBER AREA	NET % MORE OPTIMISTIC	
	Q3 91	Q2 91
Fife	+33.4*	-33.3*
Central	+44.0*	0.3*
Edinburgh	+53.4	+ 8.3
Aberdeen	- 2.3	+ 2.7
Glasgow	+ 5.0	-10.2
Dundee	- 4.8	-12.5

*based on less than 10 responses

For the first time in a year, and contrary to predictions the Q3 1991 SCBS reported a small net decline in total wholesale employment. Reductions were recorded in both male and female full-time, part-time and temporary jobs. On balance, wholesalers expected total employment to be essentially static in the fourth quarter 33% of wholesalers had increased wages and salaries in the third quarter by an average 7.4%, significantly lower than the 10.2% recorded in Q2 returns.

In terms of the balance of business optimism, the geographical pattern of wholesaler responses in Q2 and 1991 and Q3 1991 is shown in Table 1.

As in wholesaling, the October SCBS reports a net improvement (net plus 18.5% of respondents) in retailer optimism during the third quarter. However, unlike wholesaling, a 13.7% balance of retailers indicated that Q3 1991 sales were **higher** than in Q3 1990. A similar net majority expected the year-on-year sales growth trend to continue in the fourth quarter.

In spite of apparently improving sales-related performance indicators, third quarter retail employment fell according to a net 15.4% of SCBS respondents. Declines were noted in all identified employment categories. Fourth quarter employment in retailing was expected to be static. 23.7% of retailers had increased wages and salaries by an average 8.1%, compared with a reported average rise of 8.8% in the second quarter.

TABLE 2 - RETAILER OPTIMISM

CHAMBER AREA	NET % MORE OPTIMISTIC	
	Q3 91	Q2 91
Fife	+57.1*	+15.4*
Central	+ 7.7*	-37.5*
Edinburgh	+10.0	-28.6
Aberdeen	+ 7.0	- 9.4
Glasgow	+48.3	+15.1
Dundee	+10.6	+11.7

*based on less than 10 responses

The geographical pattern of changes in net retailer optimism by Chamber area in Q2 and Q3 1991 is shown in Table 2.

TRANSPORT

Employment in Scotland in the transport and communications sector fell by approximately 1.8% in the year to June 1991, as compared with a fall of around 3.0% for Great Britain as a whole. The Scottish figures also indicate a marginal increase in the quarter to June. In general, employment figures in the sector are strongly influenced by cyclical swings in the road haulage industry. However, the concentration of employment losses in Greater London suggests that the shake-out of employment at British Telecom may be exerting an influence on the aggregate figures. Given the responsiveness of the sector to the economic downturn, it is likely that employment has fallen in the second half of the year.

In the bus industry, the number of passenger journeys fell by 4.9% in the year to the end of March 1991, according to recently released government statistics. For the whole of Great Britain, excluding London, the decline is some 5.8%. The decline in vehicle kilometres operated in Scotland is only some 0.6%, a very similar figure to that recorded for the whole of Great Britain apart from London. Fares increased in Scotland approximately in line with inflation, though elsewhere they outstripped it.

With this decline in patronage and the maintenance of the same output level, fares will inevitably increase, unless wages and profits are pushed down in real terms.

These figures show that, at the very least, the deregulation of the local bus industry has failed to stop the long-term decline in ridership. While this is fairly obvious, the remedy is not. A return to the former regulation policy has been put forward in a number of places. It is not clear that this would address the problems: local monopolies, public or private, would have little incentive to respond to changing transport needs. Alternatively, competitive tendering, either in terms of support or service levels, under the auspices of a transport authority to organize the network, might obtain the best of both worlds. It is instructive that in London, where such a system has been in operation (but which is now being deregulated), passenger numbers have held up over the last five years.

The Scottish European freight terminal associated with the Channel Tunnel has finally been sited at Mossend, Lanarkshire. The final decision, in which Hillington, west of Glasgow was the loser, appears partly to have been taken on the basis that 8000 jobs could be created at Mossend. A closer look at this claim shows both that the job gains could well be illusory and that they are largely not specific to the Mossend site. If, as has been suggested, the location was a political decision, the lessons are twofold. Firstly, there is little political ability to evaluate such generally doubtful claims. Secondly, that the decision would have been better delegated by British Rail to some arbiter within Scotland able to make an appropriate evaluation. The conclusion should not necessarily be drawn that the wrong decision was reached. From the position now obtaining, the best course is clearly to ensure that Scottish international rail freight is developed as fully as possible.

It is easy to overstate the importance of Channel Tunnel freight to Scottish business: a larger proportion of Scottish exports are destined for Germany than for the tunnel's catchment area. Access to East Coast ports is also of importance to maintain cheap links with the emerging European deep-sea hub ports, the most important of which is Rotterdam. At present, much of the short-sea traffic is routed via the Humber and Tyne ports. Over these distances, road is the primary inland transport mode. Some short-haul traffic has been captured by Grangemouth, which originates routes to Rotterdam and, in competition with rail, to Felixtowe. A proposal has been put forward for a 'Forthport' at Rosyth, where the naval dockyard is being reduced in size. The advantages of this policy are thought, however, mainly to accrue to shippers, rather than exporters. An alternative policy might be to emphasise improved links to the existing ports.

The relative inaccessibility of Scotland to the deep-sea ports is probably a factor in the imposition by at least one deep-sea shipping conference, or cartel, of a discriminatory levy, which is also being applied to Scandinavian countries. Whilst this has been found to be in breach of EC competition law, the conferences have in the past been able to operate a common 'grid charge' for inland transport to/from ports. One impact of this has been to damage growth at Forth and Clyde ports. The grid system has recently been maintained by means of a penal 'equipment hand-over charge' on exporters using alternative haulage. Although this raises costs, the counter-argument is that Atlantic shipping, in particular, is generally operating at below cost. However, for Scottish firms, other companies' relative cost advantages are what is important, especially where these are artificially lower. The scotch whisky companies have had some success in combating the shipping conferences and there are now proposals for a Scottish exporters council.

In the air transport industry, British Airways has responded to the expansion of Loganair services with a proposal to transfer its Glasgow-based services, comprising the Highland Division and direct continental services but not the Shuttle, to a separate company, probably a joint venture with Maersk Air. This is intended to reduce costs and is in parallel with similar proposals for services based in the English regions.

HEALTH

At the end of July Minister of State Mr Forsyth put out a press release in the form of a letter to Sir Hector Munro MP detailing "government achievements in health". These range from current spending in health of £3.4 billion (" a 38 per cent increase in real terms since 1979"), though "record number of patients treated by record numbers of staff" to over 90 per cent of Scotland's GPs achieving their targets for childhood immunisation and cervical cytology. It is a familiar litany. However, given these achievements, as members of the government see them, it seems odd that there is a continuing determination to push ahead with the health service reforms in Scotland, particularly the creation of hospital trusts, budget-holding by GPs, and more generally the running of the health service through a myriad of formal contracts. The Minister expects the reforms to make the health service "even more efficient and more responsive to the needs of patients". By all accounts only a small number of health professionals share this view and it was widely reported that the proposed trust status for Foresterhill Hospital in Aberdeen was a major issue in the Kincardine by-election: indeed we were treated to the extraordinary spectacle of the candidates of all the major parties opposing this move. With few other candidates for trust status emerging and only a handful of GP practices going for budget-holding the impression is given of a collective holding of breath in the Scottish health service until the general election, an impression hardly dispelled by the announcement on 3 December that Foresterhill and South Ayrshire are to become trusts in 1992 and the Royal National at Larbert in 1993.

The government is not holding its breath, though. September saw the publication of the Scottish version of the **Patient's Charter** and the associated **Framework for Action** which lays down how the aims of the Charter are to be achieved. Amongst these aims are a series of health targets for the year 2000, including a 30% cut in heart disease deaths, a 15% cut in cancer deaths, cuts in smoking and drinking, and action on AIDS, drugs and accidents. The Charter encompasses waiting list targets, the nature of GP consultations, access to information, and new complaints procedures. Contemplating this glossy little brochure one wonders once again whether the government's major health reforms are of much relevance to the concerns highlighted therein.

Meanwhile Scotland on Sunday newspaper enjoined us in its 10 November issue to rethink our attitudes to the future of health policy in Scotland. In an interesting double-page spread another familiar litany emerged: premature death rate by far the worst in Europe, the chances of dying young significantly greater than in England and Wales, the death rate of working class men between the ages of 20 and 64 42% higher than the death rate of middle class men in the same age group, people who live in deprived areas of Glasgow twice as likely to die prematurely than those who live in better-off areas. As the paper points out the causes of these depressing statistics are much contested - from lifestyle factors such as smoking and diet to social causes such as bad housing, poverty and unemployment. From these "the consensus among health professionals is that poverty is probably the key factor". Unfortunately, the paper points out, Framework for Action did not mention this key factor. Amongst its proposals the paper advocates the abandonment of most of the current reforms, funding to be primarily tax-based, Scotland's health boards to be "rendered more democratic, open and accountable", a strict separation of the private sector from the NHS and a call for health policy" to be extended into the heart of almost every area of policy-making - economic, social and environmental." More intriguing, but not very closely spelled out, is the notion that the rationing of health care should be made an explicit and very public process.

One of the key problems to be addressed, and not a great deal of attention is explicitly paid to this in Charters and newspaper articles, is just what is meant by "value for money" where the **outcomes** of health care processes are concerned. Medical audit and quality assurance and assessment methods might assist the delivery of Mr Forsyth's "efficiency" goals but a continuing worry must be how to provide the sort of knowledge and information about the results of health care which would facilitate the explicit and public rationing that Scotland on Sunday proposes.

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 June 1991, and those are also reported in Tables 1 and 2. Overall, total employees in employment fell by 15,000 (0.8%) in the year to June 1991 (albeit from a lower estimated base - see above). Male employees in employment fell by 16,000 (1.6%), and total female employment increased by 2,000 (0.2%). Part-time female employment rose by 8,000 (2.0%), whereas full-time female employment actually fell by 6,000. If part-time is interpreted as "one-third time", then full time equivalent employment fell by about 19,000. The number of employees in employment in production and construction fell by 28,000 over the year to March 1991, but numbers employed in services increased by some 15,000, a pattern consistent with the increase in female employment.

Over the year to June 1991 the biggest employment gains were registered by: public admin. etc. (11,000); and education, health etc (5,000). Construction registered the biggest employment losses (13,000), but employment also fell in manufacturing.

Vacancies: Stocks and Flows

Over the year to October 1991 unfilled vacancies at job centres in Scotland fluctuated between 15.6 (15.2) and 23.9 (24.0) thousands on a seasonally adjusted (unadjusted) basis (Table 3). Vacancies fell by 4.5 thousands from 21.8 to 17.3 thousands over the year to October 1991. Note, though, that the reduction in vacancies was concentrated in the comparatively recent past. Against the background of other evidence it seems likely that this reflects a downturn in labour demand. However, vacancies did increase in September and October. 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 October 1991 inflows of 23.3 thousand exceeded outflow. 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.

Unemployment, on a seasonally adjusted basis, rose in each of the ten months up to and including August 1991, but fell in September and October of this year. In contrast unemployment continued to rise in the UK as a whole.

Over the year to October 1991 total unemployment rose by about 27.3 thousand, from a low of 197.9 thousand or 1.1 full percentage points. This represents a major increase in the level of unemployment of 13.7 per cent. In fact the aggregate figures reflect an increase in female unemployment of 3.6 thousand, and an increase of 24.1 thousand in male unemployment.

Table 6 presents recent flows into and out of the unemployment stock. In October 1991 inflows were, at 34.6 thousand, about 1.6 thousand more than in the same month of 1990. Outflows were, at 36.3 thousand, 1.0 thousand more than in July 1990. If gross outflows were maintained at their October 1991 level unemployment stocks would turnover in just over 6 months.

BUSINESS SURVEY EVIDENCE

Employment

Qualitative evidence as to current developments in the Scottish Labour Market can be drawn from the Scottish Chambers' Business Survey for the period July to September 1991. The results for this quarter follow the pattern of previous surveys, namely the continuing weak demand for labour. Table 7 illustrates that downward trends in the demand for labour were reported in all sectors, including for the first time, the wholesale sector which had consistently reported small upward trends over the preceding three quarters.

Overall, the evidence over the past year has confirmed the decline in the demand for labour. However, the results for the third quarter point to a slowing down in the downward trends in total employment; the steepest declines in employment levels, with the exception of the wholesale and finance sectors, appear to have occurred in the first and second quarters of 1991 - this is especially apparent in manufacturing and construction.

Manufacturing employment in Aberdeen and the Highlands continues to be the most positive, with a strengthening of the upward trend in total employment and in increased demand for subcontracted labour. Elsewhere, the reports indicate a general slackening in the rate of decline in total employment levels, although an increase in the use of temporary and sub contract labour was reported in the Edinburgh area.

Similarly, the Aberdeen and Highlands areas reported the strongest demand for labour in construction. All other areas, with the exception of Fife, reported a slackening in the rate of decline in the levels of full-time employment.

The expected seasonally generated increased demand for labour in tourism and leisure did not materialise, only Fife and Glasgow areas reported increased use of temporary staff and Aberdeen was the only area to report a slight increase in the use of part-time labour. Overall, the trend was again one of a slackening of the rate of decline for labour.

In the Financial sector there was a continuation of the downward trends in employment in all regions with the exception of Aberdeen and Fife. The increased use of part-time and temporary staff in several regions indicates an increasing reliance on the use of more flexible labour to meet variations in demand and to restructure the labour force to reduce the numbers of full-time permanent staff.

Expectations for the fourth quarter are for a further slight slackening in the rate of decline in employment levels, but there is little or no evidence of any general increase in employment levels in any sector. At the area level some limited increases in levels in employment is expected, although this appears to be strongly dependent on the buoyancy of the oil related sectors. Seasonal factors are significant in the expectations reported in the tourism/leisure, construction and retail sectors. The impact of such seasonal factors tend to disguise underlying trends, however, evidence from the business section of the survey would suggest that it would be premature to regard the expectations for increases in the levels of employment to reflect an ending of the current depressed demand for labour.

Recruitment

The percentages of firms entering the labour market to recruit staff in the third quarter was at a lower level than for the same period a year ago. The marginal improvement in construction and finance in the third quarter are too small to infer any general changes, and may well reflect seasonal variables rather than any underlying improvement. More generally, there is much to suggest that the third quarter, since it includes the annual holiday period, tends to be a slacker period for recruitment in most sectors. Therefore, comparisons as to the changes between the second and third quarters are of less value. However, the comparison between the third quarters for 1990 and 1991 in Table 8 indicates both a decline in the percentage of firms recruiting labour in all sectors, and shows clearly how the labour market has become more depressed over the past year.

Information as to the percentage of firms reporting increased difficulties in recruiting staff is shown in Table 9. The declining problems reported in Construction and Wholesale appear to support the view of a continued weakening of demand. The slight increases reported in Manufacturing, Retail and Tourism/leisure likewise support an impression of a slight slackening in the rate of decline in the employment levels. Although, once again, seasonal factors are likely to be an influence in retail and tourism/leisure. A comparison of the results for the third quarters of 1990 and 1991 again illustrates the extent to which the demand for labour has slackened; in all sectors fewer firms are reporting increased difficulties in attracting suitably qualified staffs. Nevertheless, the continued problems in recruiting suitable skilled manual and managerial staffs in a number of sectors points to underlying structural problems of undertraining in the labour force.

Wages

The average level of wage and salary increases fell again in the third quarter in most sectors. As Table 10 indicates the average level has fallen over the past year by between 2.3 percentage points % to 3% percentage points, although in the Wholesale sector levels appear to have remained stable. Clearly, the quarterly pattern of settlements is influenced by the timing of the annual bargaining round, nevertheless, the indications are clearly that the settlement rate has matched the decline in the rate of inflation. The ability, from the next quarter, to commence a rolling annual figure, on a quarterly basis, of wage and salary increases will provide a much more detailed indication of the trends in wage and salary increases.

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	930	395	1,957	591	457	397	1,337
Jun	1,031	942	406	1,974	591	458	398	1,353
Sep	1,040	943	406	1,983	597	465	405	1,356
Dec	1,034	946	417	1,980	591	462	401	1,362
1991 Mar	1,021	936	412	1,956	573	449	388	1,356
June	1,015	944	414	1,959	563	443	383	1,368

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 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]	60 [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	61	44	169	189	129
1991 Mar	28	61	43	165	181	123
Jun	29	60	42	161	180	120

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 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]	169 [190]	477 [487]
Jun	216 [198]	193 [189]	109 [115]	187 [180]	172 [195]	477 [488]
Sep	222 [204]	192 [188]	110 [115]	189 [182]	179 [204]	465 [481]
Dec	214	198	108	184	181	476
1991 Mar	211	193	106	189	181	476
Jun	217	191	107	187	183	482

* 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
May	20.5	0.2	0.2	21.5	0.7
Jun	21.8	0.0	0.7	23.3	' 1.0
Jul	21.8	0.0	0.5	23.1	0.9
Aug	22.1	0.3	0.5	22.7	0.9
Sep	22.6	0.5	0.3	24.5	1.0
Oct	23.4	0.8	0.5	25.2	0.8
Nov	24.7	1.3	0.9	25.3	0.9
Dec	23.4	-1.3	0.3	21.9	1.1
1990 Jan	22.8	-0.3	-0.1	19.8	1.1
Feb	22.3	-0.5	-0.7	19.2	1.0
Mar	22.3	0.0	-0.3	20.5	1.2
Apr	23.0	0.7	0.1	22.9	1.5
May	22.7	-0.3	0.1	23.6	1.3
Jun	22.4	-0.3	0.0	23.8	1.4
Jul	22.2	-0.2	-0.3	23.3	1.2
Aug	22.4	0.2	0.1	23.2	1.1
Sep	22.4	0.0	0.0	24.5	1.1
Oct	21.8	-0.2	-0.2	24.0	0.9
Nov	18.7	-3.1	-1.3	19.4	0.9
Dec	16.6	-2.0	-1.8	15.2	0.6
1991 Jan	19.1	2.5	-0.9	15.6	0.7
Feb	22.6	3.6	1.3	19.8	0.6
Mar	23.9	1.3	2.4	21.8	0.6
Apr	19.3	-4.6	0.1	19.4	0.7
May	17.7	-1.6	-1.6	18.5	0.8
Jun	17.2	-0.5	-2.1	18.8	0.9
Jul	16.2	-1.1	-1.1	17.1	0.8
Aug	15.6	-0.6	-0.7	16.3	0.7
Sep	15.9	0.3	-0.5	18.6	0.6
Oct	17.3	1.4	0.4	19.6	0.6

Source: Department of Employment Press Notice

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

Source: Department of Employment

TABLE 5: SCOTLAND - UNEMPLOYMENT -SEASONALLY ADJUSTED (excluding school leavers ('000s) (figures in parentheses reflect estimates on September 1988 basis - see text for details)						
Date	Male	Female	Total	Change since previous month	Average change over 6 months ending	Unemp. rate % of working population
1985	243.6	109.3	353.0			14.2
1986	248.1	111.8	359.8			14.5
1987	214.5	87.8	302.3	2.8	-4.1	12.2
1988 Dec	186.7	73.5	260.2	-6.3	-3.3	10.5
1989 Apr	175.1	68.2	243.3	-7.2	-4.5	9.7
May	172.8	66.7	239.5	-3.8	-4.5	9.7
Jun	170.0	65.0	235.0	-4.5	-4.2	9.4
Jul	168.9	63.9	232.8	-2.2	-4.0	9.4
Aug	167.7	63.3	231.0	-1.8	-3.7	9.3
Sep	163.0	61.8	224.8	-6.2	-4.3	9.1
Oct	159.2	60.4	219.6	-5.2	-4.0	8.8
Nov	155.8	59.0	214.8	-4.8	-4.1	8.6
Dec	153.0	57.5	210.5	-4.3	-4.1	8.5
1990 Jan	151.1	56.8	207.9	-3.3	-3.8	8.3
Feb	150.8	56.2	207.0	-0.9	-3.6	8.2
Mar	149.6	55.4	205.0	-2.0	-3.1	8.2
Apr	148.5	55.3	203.8	-1.2	-2.6	8.1
May	147.1	54.3	201.3	-2.4	-2.2	8.0
Jun	147.0	54.1	201.1	-0.3	-1.7	8.0
Jul	147.9	53.6	201.5	0.4	-1.1	8.0
Aug	147.6	52.8	200.4	-1.1	-1.1	8.0
Sep	147.6	51.6	199.2	-1.2	-1.0	7.9
Oct	146.9	51.0	197.9	-1.3	-1.0	7.9
Nov	147.8	50.8	198.6	0.7	-0.5	7.9
Dec	149.6	51.2	200.8	2.2	-0.1	8.0
1991 Jan	150.3	51.2	201.5	0.7	0.0	8.1
Feb	153.0	51.7	204.7	3.2	0.7	8.2
Mar	157.0	52.3	209.3	4.6	1.7	8.4
Apr	160.6	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	170.1	56.6	226.7	4.0	4.2	9.1
Aug	171.3	56.3	227.6	0.9	3.8	9.2
Sep	170.4	55.4	225.4	-1.8	2.8	9.1
Oct	170.8	54.6	225.4	-0.4	1.8	9.1

Source: Department of Employment

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

Source: Department of Employment

TABLE 7 TRENDS IN TOTAL EMPLOYMENT				
Sector	4/4/ 1990	1/4/ 1991	2/4/ 1991	3/4 1991
Manufacturing	-5	-20	-6	-6
Construction	-27	-33	-39	-26
Wholesale	+2	+3	+2	-2
Retail	-4	-19	-27	-15
Tourism/leisure	+1	-12	-29	-5
Finance	-23	-22	-27	-31

TABLE 8 PERCENTAGE OF FIRMS RECRUITING EMPLOYEES					
Sector	3/4/ 1990	4/4/ 1990	1/4 1991	2/4/ 1991	3/4/ 1991
Manufacturing	65	50	43	54	48
Construction	61	46	53	40	41
Wholesale	67	47	49	46	49
Retail	55	46	38	47	47
Tourism/leisure	79	60	52	75	71
Finance	39	23	31	27	26

TABLE 9 PERCENTAGE OF FIRMS REPORTING INCREASED DIFFICULTIES IN RECRUITING STAFF					
Sector	3/4/ 1990	4/4/ 1990	1/4/ 1991	2/4/ 1991	3/4/ 1991
Manufacturing	17	19	16	12	15
Construction	18	25	10	17	14
Wholesale	19	15	18	16	10
Retail	12	21	14	9	12
Tourism/leisure	29	37	24	22	31
Finance	4	2	1	0	1

TABLE 10 WAGE AND SALARY INCREASES				
Sector	4/4/ 1990	1/4/ 1991	2/4/ 1991	3/4/ 1991
Manufacturing	9.4	9.1	7.6	6.7
Construction	9.5	9.5	7.8	6.8
Wholesale	8.4	20.9	8.4	8.4
Retail	11.1	8.4	8.8	8.1
Tourism/leisure	8.3	9.3	7.8	6.8
Finance	5.0	9.6	6.4	6.4

REGIONAL REVIEW

INTRODUCTION

In October, Scottish unemployment declined by 1557 to stand at 220,396 on an unadjusted basis. This constitutes 8.9% of the workforce and represents a 0.7% reduction compared to the September total of 221,953. Scottish unemployment began to rise in November 1989 and increased rapidly to 230,160 in August 1991. Between August and September, unemployment fell by 8207 or by 3.6%. Thus, the latest recorded monthly fall in Scottish unemployment in the second in a row and stands in sharp contrast to the UK which continues to experience increasing jobless totals. In this section, we will seek to place the recent Scottish performance in context and set out where the recent reduction in Scottish unemployment occurred. Figure 1 sets out seasonally adjusted unemployment for Scotland, Great Britain and three constructed regions. The South of England is defined as London, the South East, the South West and East Anglia. Midlands & Wales encompasses the West and East Midlands plus Wales whilst the North of England comprises Yorkshire and Humberside, the North West and the Northern Region.

Examination of Figure 1 highlights the impact of the present recession upon UK regional labour markets. Unemployment began to rise first in the South of England in February 1990. The recession seeped Northwards and unemployment in the Midlands & Wales turned up in May 1990 whilst the rise in the North of England commenced in July of that year. Unemployment in scotland continued to fall until November 1990. Thus, the present recession has it's origins in the south and has spread northwards.

In addition to experiencing an earlier incidence of rising unemployment, the severity of the impact upon labour markets is greater the further south on looks. As Figure 1 indicates, the increases in unemployment during the present recession have been most marked in southern regions. By October 1991, unemployment in the South of England was 71.5% higher than at January 1989. The corresponding rises for Midlands & Wales and the North of England are 22.7% and 5.5% respectively. In contrast, Scottish unemployment presently stands at 88.2% of that recorded at January 1989. Figures 2(a) and 2(b) set out the proportion of British unemployment accounted for by our chosen areas for January 1989 and October 1991. Midlands and Wales share of UK unemployed remained stable at 21.7% of the GB total. However, the share due to the South of England rose across the period from 29.4% to 40.4% whilst the share accounted for Scotland and the North of England declined markedly. In January 1989, the North of England contributed 34.5% of GB unemployment and Scotland 14.0%. By October 1991, these shares had subsided to 28.4% and 9.5% respectively. This data suggests that the present recession has substantially altered the geography of UK regional unemployment. However, unemployment rates in Scotland and the North remain in excess of the GB average. Figure 3 sets out the Scottish unemployment rate as a percentage of the GB rate for the period January 1979 to October 1990. At January 1989, the Scottish seasonally adjusted unemployment rate stood at 1.50 times the GB average. This rose steadily throughout that year to peak at 1.56 in September which constitutes the highest differential recorded in the entire 1979- 91 period. Since September 1989, the Scottish rate as a proportion of the GB rate declined steadily to stand at 1.06 at October 1991.

The narrowing of the Scottish-GB differential from September 1989 reflects four distinct phases. Between September 1989 and May 1990, the narrowing reflects a period in which both Scottish and British unemployment declined but at a faster rate in Scotland. Between May and October 1990, Scottish unemployment fell as the UK count rose. From October 1990 to August 1991, both UK and Scottish unemployment were rising but at a faster rate in the UK. The effect is particularly marked in the latest quarter when GB seasonally adjusted unemployment rose from 2.27 million in July to 2.37 million in October. This contrasts with a 0.6% decline experienced in Scotland.

TIME SERIES ANALYSIS

In the previous section, we analysed Scottish, GB and regional rates with reference to the Department of Employment seasonally adjusted series which also adjusts for the numerous revisions to the unemployment count evident in the 1980s. No such adjusted series are published for areas below the UK standard regions. Thus, analysis of Scottish local authority regions and travel to work areas (TTWAs) requires to be undertaken on the basis of series which are unadjusted for seasonality and other discontinuities.

Table 1 presents information on Scottish unemployment for the 12 months to October 1991. Although this data is provisional, the period in question contains no changes to the method used for counting unemployed claimants. During the year to October 1991, the workforce based unemployment rate rose erratically to peak at 9.3% in August before falling to stand at 8.9% in both September and October. Although Scottish unemployment has fallen in the last quarter, the recorded rate is still above that experienced in the first 6 months of 1991.

Table 1 reveals considerable disparity in the profiles of male and female unemployment change which in illustrated in Figure 4. This sets out the course of Scottish male, female and total employment since October 1989. Scottish male unemployment has been consistently above its October 1989 level since January 1991 whilst female unemployment has only exceeded its October 1989 level in July and August of this year. Comparison of the female graph for the periods June to October 1990 and 1991 indicates a similarity in profile which is the result of seasonal influences. In both years female unemployment rose sharply in July only to fall back in September and October.

In previous Commentaries, it has been suggested that seasonal influences tend to result in decreases in unemployment between April and May and between August and October but to engender increases between December and January and June and July. In the earlier part of 1991, the pattern of Scottish unemployment change brought rises in unemployment in months where falls would normally be expected. This was taken to indicate a general worsening of the unemployment position not due to seasonality. At the Scottish level, an examination monthly changes in the seasonally adjusted data confirms this assessment.

The falls in unemployment recorded in September and October cannot be accounted for exclusively by seasonal factors. The adjusted series for total employment indicates a 0.8% decreases in September and a 0.2% decrease in October. The changes for male claimants were -0.5% and 0.23 % respectively and -1.6% and -1.4% for females. Although unemployment decreases are expected in September and October, the actual falls in both male and female employment were both greater than expected for the time of year. Similarly, in October, the actual fall in female unemployment was greater than thought likely due to seasonal factors. However, the increase in actual male unemployment in October, when a slight decrease might be expected, results is a seasonally adjusted change higher than the unadjusted increase.

In order to get behind the net changes in unemployment in recent months, an examination of the flows on and off the unemployment register was undertaken for the quarter ending October 1991. In this period, Scottish unemployment fell by 7980 or by 3.5%. The male on-flow totalled 69,749 which was offset by an off-flow of 67209. The male onflow was 7.1% higher and the male off-flow 6.4% higher than for the corresponding 3 months in 1990. The female onflow was 31,598 which was 3.5% higher than for July-October 1990. The female off-flow totalled 36,897 which is 2.4% higher than for the corresponding period in 1990.

Thus, in the previous 3 months, both the recorded onflows and off-flows were greater than in the same period last year. Whilst it is to be expected that onflows will increase in recessionary times, it is less likely that off-flows would follow a similar trend. As has been pointed out by, inter alia, the STUC, the rise in female onflows is subject to moderation due to the an unknown number of women who are not eligible to claim benefit if made unemployed. This will tend to conceal the true increase in female unemployment and serve to reduce unemployment rates. However, the strong performance of male and female off-flows has clearly played a significant role in the unemployment decrease evident in the July to October 1990 period.

UNEMPLOYMENT IN THE SCOTTISH REGIONS

Table 2 sets out total unemployment and related statistics for the period October 1990 to October 1991 for Scotland, it's local authority regions and islands. Quarterly and monthly changes are also set indicated although these require careful interpretation and are best used to facilitate inter regional comparisons. Figures 5(a) to 5(c) present Scottish regional unemployment for the period October 1989 to October 1991. Figure 5(a) presents those areas whose unemployment count at October 1991 is more than 5% above the 1989 level. Figure 5(b) presents those regions whose October 1991 unemployment lies between plus or minus 5% of the 1989 count whilst Figure 5(c) illustrates those areas whose unemployment is more than 5% below the 1989 level.

At October 1991, Scottish unemployment stood at 220,396 which represents a rise of 27,440 or 14.2% from October 1990. This constitutes 8.9% of the workforce or 10.2% of the narrow definition of the labour force which comprises employees in employment and the unemployed. However, in the most recent quarter, Scottish unemployment fell by 7890 or by 3.5% whilst a fall of 1557 or 0.7% occurred between September and October.

With the exception of the Orkney Islands, all Scottish regions experienced an increase in unemployment in the year to October 1990. Borders recorded the most marked increase with unemployment increasing by 44.6% over the year. Sharp increases were also evident in Fife (21.1%), Lothian (19.6%), Grampian (19.4%) and Dumfries and Galloway (17.9%). With the exception of Grampian, these regions constitute those poorest performing regions relative to October 1989, set out in Figure 5(a). The inclusion of Grampian in Figure 5(c) is due to a strong reduction in unemployment in the first half of the October 1989-90 period. In the year to October 1989, Grampian constitutes the 4th worst performing region despite being the nerve centre of the booming North Sea sector. However, with the exception of Fife, the above regions are record unemployment rates below the Scottish average. In Grampian, the unemployment rate in October 1991 totalled 42.7% of the Scottish average. The proportions in Borders, Lothian and Dumfries & Galloway are respectively, 59.5%, 85.4% and 78.7%.

Unemployment change: July-October 1991 - Components of Change

	Total	Male	Female
Borders	-1.3	0.0	-1.3
Central	-8.1	-3.1	-5.0
Dumfries/ G/way	-3.9	-1.5	-2.4
Fife	-7.9	-4.0	-3.9
Grampian	-1.0	3.9	-4.9
Highlands	8.3	7.3	1.0
Lothians	-11.7	-0.5	-11.2
S/clyde	-59.7	-9.7	-49.9
Tayside	-15.3	-7.1	-8.2
Orkney	0.0	0.0	0.0
Shetland Is.	0.5	0.1	0.3
Western Is.	0.1	0.5	-0.5
Scotland	-100.0	-14.0	-86.0

The three islands exhibit the smallest absolute and proportional employment change in the year to October 1990. The Shetland Islands present the lowest regional unemployment rates whilst the Western Isles presents the highest. In Shetlands, the unemployment rate is 32.6% of the Scottish rate whilst the rate in the Western Isles is 1.36 times the national average. Orkney was the only Scottish region to experience decrease in unemployment, albeit of an extremely marginal nature. Labour markets in both Orkney and Shetlands remain tight due, as in Grampian, to a favourable boost from the Continental Shelf. The Western Isles receives no such benefit and unemployment rates there continues to be akin to those of urban, industrial communities in the Central Belt. The inclusion of the Western Isles in Figure 5(a) reflects a poor performance in the year to October 1990.

At October 1989, Tayside, Strathclyde, Central and Highland all recorded an unemployment count slightly in excess of there October 1989 levels. In the year to October 1991, these regions recorded increases in unemployment below the Scottish increase. Only Strathclyde has an unemployment rate above the Scottish average. Central, Tayside and Highland are the only mainland regions to record both a below average increase in unemployment and a below average unemployment rate. In Strathclyde, the unemployment rate is 1.25 times the Scottish average whilst in Central, the workforce rate is equal to the Scottish rate. In Tayside, the unemployment rate is 89.9% of that of Scotland and whilst in Highland the ratio is 87.6%. A notable feature of Highland unemployment is its extreme seasonal nature. This is well illustrated in Table 5(b) and reflects the rural and tourist nature of the local economy. Less pronounced seasonal fluctuations can be detected for the Islands in Figures 5(a) and 5(b).

Information on the unemployment position in the male labour market in set out in Table 3 whilst Table 4 presents the same analysis for females. In the 12 months to October, male unemployment increased by 23,801 or by 16.6% whilst female unemployment increased by 3639 or by 7.4%. The largest annual increases in male unemployment were experienced in Borders (45.4%), Grampian (23.6%), Fife (23.2%), Lothian (21.5%) and Dumfries and Galloway (20.5%). With the exception of Fife, these regions record male unemployment rates below the Scottish average. The islands experienced diverse fortunes with the Western Isles exhibiting the strongest unemployment increase. On the mainland, Strathclyde (14.2) and Central (14.3) both present a below average unemployment change for the year and a male unemployment rate above the national average whilst Tayside (16.3) and Highland (15.2) combine a below average change and a lower than average male rate.

In the year to October, Borders (42.3%) experienced the greatest increase in female unemployment. Four other regions underperformed the Scottish average, viz Fife (15.6%), Lothian (14.1%), Dumfries & Galloway (12.3%) and Tayside (8.8%). Fife, Tayside and Dumfries and Galloway all present female unemployment rates above the Scottish average. The Islands all record marginal rises in female unemployment but only the Western Isles has a higher than average unemployment rate. Strathclyde (5.2%) Highland (3.2%) and Central (-5.4%). With the exception of Highland, all possess female rates above the Scottish average.

QUARTERLY ANALYSIS

Tables 3 to 5 set out details of the total and percentage changes in the quarter to October 1990. In the quarter to October, Scottish unemployment fell by 7980 which comprises a male decrease of 1121 and a female decrease of 6849. Given the widespread interest in the unemployment declines evident in this period, we will attempt to isolate where in Scotland the major changes took place. a components of change analysis was undertaken and the results at the regional level were as follows

This indicates that:

- a 100 decrease in Scottish unemployment is accounted for by a reduction of 14 males and

86 females;

- a 100 decrease in Scottish unemployment in accounted for by a fall of 59.7 unemployed in Strathclyde, 15.3 fall in Tayside etc;

- a 100 decrease in Scottish unemployment is accounted for by a fall of 0.5 male unemployed and 11.2 female unemployed in Lothian, a fall of 4 male unemployed in Fife and 3.9 females in Fife, etc.

This data indicates that the major impact on total unemployment is experienced in Strathclyde, Tayside, Lothians, Central and Fife whilst the experience of the Highlands and Islands was such as to serve to increase unemployment.

In order to further analyse this unemployment change, we decomposed the 7980 quarterly fall by TTWA. This indicates that in 24 TTWAs male unemployment declined by 2885 and in the remaining 46 TTWAs unemployment increased by 1764. Female unemployment fell by 7098 across 47 TTWAs and increased by 239 in the remaining 13 TTWAs. Analysis of this data highlights the following.

Of the 24 TTWAs in which male unemployment decreased by 2885, the top 5 areas accounted for 72.5% of the observed decrease. These were Glasgow (24.5%), Lanarkshire(20.7%), Dundee (11.9%), Kirkcaldy (9.3%) and Dumfries, Lockerbie (6.4%).

Of the 46 TTWAs in which male unemployment increased by 1764, the top 5 areas accounted for 57.52% of the observed increase. These were Invergordon & Dingwall (15.9%), Aberdeen (13.2%), Haddington (11.2%), Stewarty (8.6%) and Dumbarton (7.7%).

Of the 47 TTWAs in which female unemployment decreased by 7098, the top 5 areas accounted for 62.9% of the observed increase. These were Glasgow (33.0%), Lanarkshire (11 5%), Kirkcaldy (9.6%), Dundee (5.5%) and Dumfries, Lockerbie (3.2%).

Of the 13 TTWAs in which female unemployment increased by 239, the top 5 areas accounted for 66.1 of the observed increase. These were Dumbarton (18.4%), Stewartry (15.9%), Skye & Wester Ross (10.9%), Cumnock & Sanquhar (10.5%) and Irvine (10.5%).

The general trend is for urban centres to contribute greatly to the observed declines in both male and female unemployment and for rural hinterlands to contribute greatly towards the rises experienced in Both male and female unemployment. This can be readily seen in the case of Strathclyde in which Glasgow, Lanarkshire and Kilmarnock all show net decreases in both male and female unemployment whilst the remaining more rural areas tend to contribute to varying extents to the increase in the male and female count. A similar trend can be detected in Tayside and Lothian where Dundee and Edinburgh perform well relative to the outlying areas. In Grampian the effect is reverse. Aberdeen presents significant rises in male and female unemployment whilst it's hinterland tends to experience a more favourable outcome. In order to examine the significant changes evident in the large urban TTWAs of Glasgow and Lanarkshire we examined the unemployment position over the quarter with respect to the constituent Parliamentary constituencies. In Lanarkshire all constituencies saw a reduction in both male and female unemployment in the 3 months in question. Monklands accounts for 27.5% of the decrease in Lanarkshire male unemployment and 32.4% of the corresponding female decline. Motherwell accounts for 60% of the recorded fall in Lanarkshire male unemployment and 32.6% of the female decrease. The shares of Hamilton and Clydesdale are, for males 11.5% and 1.2% and fore females 20.6% and 14.5%.

In the Glasgow TTWA, Glasgow District accounts for 73.0% of the decrease in males unemployment and 57.9% of the female decrease. Within Glasgow, the areas contributing most strongly to the male decrease are Maryhill, Shettleston, Govan and Cathcart which together account for circa two thirds of the decrease in Glasgow District. For females, the decrease are more evenly spread across Glasgow although Maryhill, Hillhead, Springburn and Shettleston account for circa 50% of the observed female decrease in Glasgow District. Outside Glasgow, Paisley and Cumbernauld contribute a clear majority of the recorded male decrease of 212. In terms of females, the decreases are again more evenly spread. However, Cumbernauld & Kilsyth, Renfrew West and Clydebank and Milngavie make a relatively weak contribution to the observed decrease of 992.

Thus, the recent and unexpected fall in Scottish unemployment in the quarter to October 1991 in accounted for largely by the large industrial conurbations and outlying industrial communities. Unemployment in rural areas tended to rise.

VACANCY LEVELS

Table 5 sets out Registered Vacancies at Job Centre whilst Table 6 presents the unemployment vacancy ratios for Scottish regions. In the year to October 1991, unfilled vacancies in Scotland decreased by 4488 or by 18.7%. Western Isles, Tayside, Highland Central and Grampian all experience a decline in vacancies above the Scottish average. The quarterly analysis indicates that Scottish vacancies increased by 14.7%. Borders, Central, Highland and the Western Isles experienced a decline in unfilled vacancies over the quarter.

In addition, Tayside, Orkney & Shetland and Dumfries and Galloway all recorded increases below the national average. The largest quarterly increases in vacancies occurred in Grampian, Fife , Lothian and Strathclyde which were the only 4 regions to beat the Scottish average.

Table 6 sets out the 'U/V' ratio which gives an indication of the numbers of unemployed competing for each vacancy. Since only 30% of all vacancies appear in these statistics the actual u/v ratios will be lower than indicated in Table 6. In October 1991, 11.27 Scottish unemployed were competing for each unfilled vacancy. The Western Isles, Tayside, Fife and Strathclyde constitute those regions where the a greater number of workers were chasing each vacancy than in Scotland as a whole. Table 6 also indicates that the position of Scotland and its regions has improved relative to GB. This can be seen with reference to the change in rankings and to the percentage of GB columns.

INTRA-REGIONAL VARIATIONS.

It is clear from the foregoing analysis that there are significant variations in the fortunes of Scottish regional labour markets. However, substantial diversity in performance exists within regional boundaries and this section seeks to assess these intra-regional disparities. We utilise unemployment data relating to Travel to Work Areas (TTWAs) of which there are 57 on mainland Scotland and the 3 islands which are omitted from the accompanying Tables.

Table 7 indicates the number of TTWAs contained in each area and the number of these with unemployment rates in excess of the Scottish and regional average. The position is fairly stable between October and July except for Highland where an additional 2 of its constituent TTWAs moved above the Scottish average between July and October.

Further indicators of the intra regional distribution of unemployment are set out in Tables 8 and 9. Table 8 sets out the range of rates occurring in each region and the ratio of highest to lowest rates for constituent TTWAs. This indicates that the spread of rates across the region is narrowing in Central, Lothian, Grampian, Highland, Strathclyde and Tayside and widening in other regions.

Dumfries and Galloway continues to be the region exhibiting the greatest dispersion of unemployment rates. The Cumnock & Sanquhar rate is 12.1% higher than in Dumfries, Lockerbie which has replaced Stewartry as the TTWA with the lowest unemployment rate in the region. The differential remains lowest in Borders where the percentage of the workforce out of work in Peebles is 4.4% above the proportion unemployed in Galashiels and Kelso & Jedburgh. The ratio of high to low unemployment rates continues to be greatest in Grampian where the rate in Forres is 4 times that evident in Aberdeen. This ratio has narrowed since July due to a fall in the rate recorded in Forres. Ratios in excess of 2.5 were noted in both Borders and Strathclyde. The Strathclyde ratio has declined markedly since October due to strong reduction in rates in the urban core and varying increases in the rural hinterland. In Dumfries and Galloway, the ratio remains above 3 due to the reductions in rates in the highest and lowest TTWAs being similar. The ratio is lowest in Central and Lothian.

Table 9 presents the same analysis as previous table in terms of October 1989. In addition, this Table sets out the GB and Scottish ranks for the TTWAs with the highest and lowest rate in each region. In this 2 year period, the average ranking for the Scottish TTWAs declined from 88 in 1989 to 159 in 1990. This reflects the better Scottish unemployment performance in this period compared with the UK. All the identified TTWAs increased their rankings with the exception of Cumnock & Sanquhar, and Wick which maintained their GB rankings across this period. The high/low ratio increased in all regions except Strathclyde, Lothian and Dumfries and Galloway. Thus, with these exceptions unemployment has become less equally dispersed in Scottish regions between 1989 and 1991.

FIGURE 1

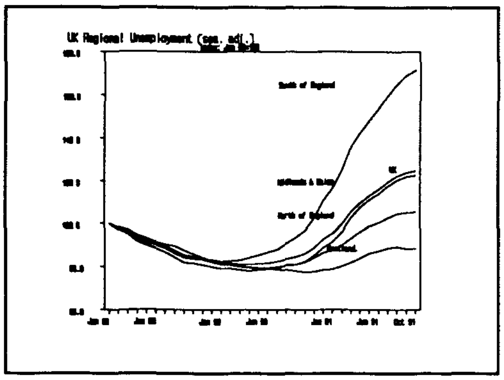


FIGURE 3

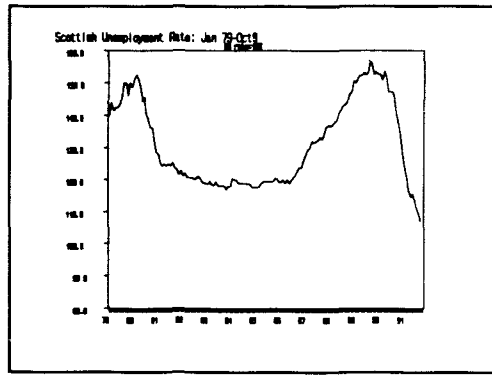


FIGURE 2(a)

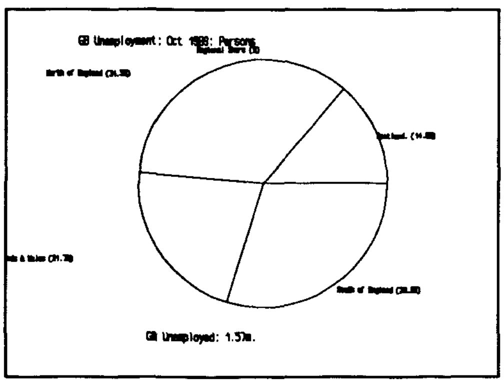


FIGURE 4

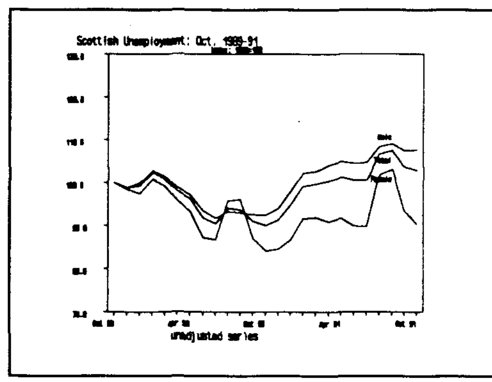


FIGURE 2(b)

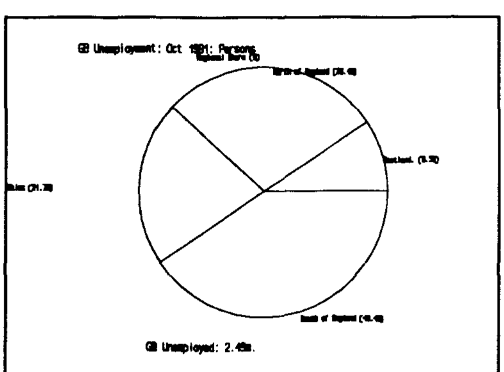


FIGURE 5(a)

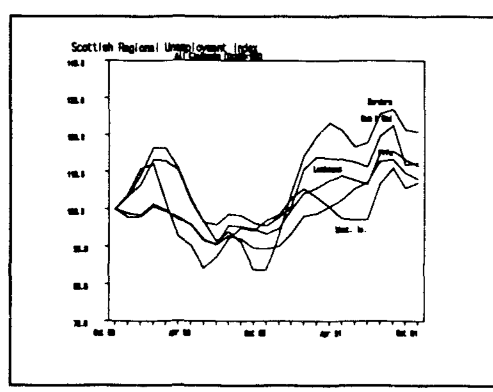
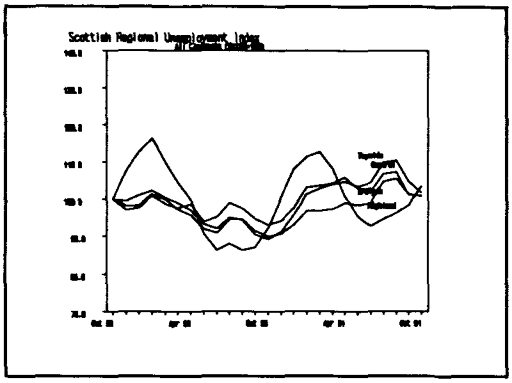


FIGURE 5(b)



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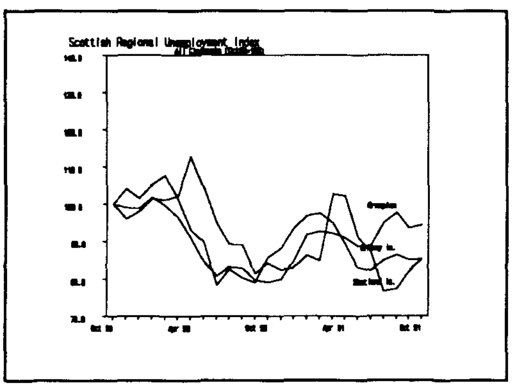

Table 1 - Unemployment totals - unadjusted time series, Scotland

Month	Unemployment rate*	Total	Monthly % change	Male	Monthly % change	Female	Monthly % change
1990 October	7.8	192,956	-1.09	143,527	-0.25	49,429	-3.45
November	7.9	195,679	1.41	145,942	1.68	49,737	0.62
December	8.2	202,950	3.72	152,001	4.15	50,949	2.44
1991 January	8.6	212,661	4.78	158,840	4.50	53,821	5.64
February	8.6	213,729	0.50	159,691	0.54	54,038	0.40
March	8.7	215,148	0.66	161,649	1.23	53,499	-1.00
April	8.7	216,991	0.86	163,051	0.87	53,940	0.82
May	8.7	215,320	-0.77	162,454	-0.37	52,866	-1.99
June	8.7	215,501	0.08	162,695	0.14	52,916	-0.09
July	9.2	228,376	5.97	168,449	3.54	59,927	13.46
August	9.3	230,160	0.78	169,544	0.65	60,616	1.15
September	8.9	221,953	-3.57	166,979	-1.51	54,974	-9.31
October	8.9	220,395	-0.70	167,328	0.21	53,068	-3.47

Table 2 Total unemployment by region: unadjusted												
	% rate Oct 1991		Total October 1991	Total October 1990	Annual change		Total July 1991	Quarterly change		Total September 1991	Monthly change	
	Narrow	Wide			Total	%		Total	%		Total	%
Borders	6.5	5.3	2,521	1,744	777	44.6	2,625	-104	-4.0	2,533	-12	-0.5
Central	10.1	8.9	10,942	10,847	855	8.5	11,558	-646	-5.6	10,986	-44	-0.4
Dumfries & Galloway	8.7	7.0	4,896	4,152	744	17.9	5,207	-311	-6.0	4,869	27	0.6
Fife	11.5	10.0	14,318	11,827	2,491	21.1	14,948	-630	-4.2	14,519	-201	-1.4
Grampian	4.3	3.8	10,477	8,772	1,705	19.4	10,557	-80	-0.8	10,393	84	0.8
Highland	9.4	7.8	7,898	7,058	840	11.9	7,237	661	9.1	7,535	363	4.8
Lothian	8.5	7.6	29,992	25,071	4,921	19.6	30,922	-930	-3.0	30,457	-465	-1.5
Strathclyde	12.6	11.1	121,780	108,710	13,070	12.0	126,541	-4,671	-3.8	122,654	-874	-0.7
Tayside	9.3	8.0	15,239	13,353	1,886	14.1	16,460	-1,221	-7.4	15,711	-472	-3.0
Orkney Islands	5.8	4.1	421	423	-2	-0.5	419	2	0.5	420	1	0.2
Shetland Islands	3.6	2.9	350	345	5	1.4	314	36	11.5	336	14	4.2
Western Islands	6.1	12.1	1,562	1,414	148	6.9	1,558	4	0.3	1,540	22	1.4
SCOTLAND	10.2	8.9	220,396	192,956	27,440	14.2	228,376	-7,980	-3.5	221,953	-1,557	-0.7

Source: Department of Employment

Table 3 Male unemployment by region: unadjusted												
	% rate Oct 1991		Total October 1991	Total October 1990	Annual change		Total July 1991	Quarterly change		Total September 1991	Monthly change	
	Narrow	Wide			Total	%		Total	%		Total	%
Borders	9.2	6.8	1,835	1,262	573	45.4	1,835	0	0.0	1,829	6	0.3
Central	14.2	11.9	8,124	7,109	1,015	14.3	8,373	-249	-3.0	8,078	46	0.6
Dumfries and Galloway	10.8	8.0	3,403	2,823	580	20.5	3,522	-119	-3.4	3,368	35	1.0
Fife	15.3	12.8	10,508	8,530	1,978	23.2	10,827	-319	-2.8	10,554	-46	-0.4
Grampian	5.4	4.5	7,458	6,035	1,423	23.6	6,149	310	4.3	7,273	185	2.5
Highland	13.2	10.2	5,888	5,111	777	15.2	5,303	585	11.0	5,645	243	4.3
Lothian	12.4	10.6	22,936	18,885	4,051	21.5	22,975	-39	-0.2	22,954	-18	-0.1
Strathclyde	17.9	15.1	94,373	82,666	11,707	14.2	95,151	-778	-0.8	94,296	77	0.1
Tayside	12.7	10.4	11,070	9,520	1,550	16.3	11,637	-567	-4.9	11,279	-208	-1.9
Orkney Islands	7.0	4.6	286	288	-2	-0.7	285	1	0.4	277	9	3.2
Shetland Islands	4.3	3.2	232	230	2	0.8	221	11	5.0	230	2	0.9
Western Islands	22.8	15.3	1,215	1,068	147	138	1,172	43	3.7	1,196	19	1.6
SCOTLAND	14.3	11.8	167,328	143,527	23,801	16.6	168,449	-1,121	-0.7	166,979	349	0.2

Source: Department of Employment

Table 4 Female unemployment by region: unadjusted												
	% rate Oct 1991		Total October 1991	Total October 1990	Annual change		Total July 1991	Quarterly change		Total September 1991	Monthly change	
	Narrow	Wide			Total	%		Total	%		Total	%
Borders	3.7	3.4	686	482	404	42.3	790	-104	-13.2	704	-18	-2.6
Central	5.6	5.1	2,818	2,978	-160	-5.4	3,215	-397	-12.3	2,908	-90	-3.1
Dumfries & Galloway	6.0	5.4	1,493	1,329	164	12.3	1,685	-192	-11.4	1,501	- 8	-0.5
Fife	6.8	6.2	3,801	3,297	513	15.6	4,121	-311	-7.5	3,965	-155	-3.9
Grampian	2.9	2.7	3,019	2,737	282	10.3	3,409	-390	-11.4	3,120	-10.1	-3.2
Highland	5.1	4.6	2,010	1,947	63	3.2	1,934	76	3.9	1,890	120	6.3
Lothian	4.2	4.0	7,056	6,186	870	14.1	7,947	-891	-11.2	7,503	-44.7	-6.0
Strathclyde	6.2	5.8	27,407	26,044	1,363	5.2	31,390	-,983	-12.7	28,358	-951	-3.4
Tayside	5.4	5.0	4,169	3,833	336	8.8	4,823	-654	-13.6	4,432	-263	-5.9
Orkney Islands	4.1	3.4	135	135	0	0.0	134	1	0.7	143	-8	-5.6
Shetland Islands	2.7	2.5	118	115	3	2.6	9.3	25	26.9	106	12	11.3
Western Islands	8.0	7.0	347	346	1	0.3	386	-39	-10.1	344	3	0.9
SCOTLAND	5.3	5.0	53,068	49,429	3,639	7.4	59,927	-6,859	-11.4	54,974	-1,906	-3.5

Source: Department of Employment

Table 5 Registered vacancies at job centres: by region

	October 1991	%	October 1990	%	Annual Change Total	%	July 1991	%	Quarterly change Total	%
Borders	503	2.6	462	1.9	41	8.9	561	3.3	-58	-10.3
Central	1,011	5.2	1,336	5.6	-325	-24.3	1,017	6.0	- 6	-0.6
Dumfries and Galloway	624	3.2	630	2.6	-6	-1.0	590	3.5	34	5.8
Fife	929	4.7	1,083	4.5	-154	-14.2	710	4.2	219	30.8
Grampian	2,559	13.1	3,230	13.4	-671	-20.8	1,824	10.7	735	40.3
Highland	821	4.2	1,130	4.7	-309	-27.3	1,045	6.1	-224	-21.4
Lothian	2,721	13.9	3,105	12.9	-384	-12.4	2,270	13.3	451	19.9
Strathclyde	9,148	46.8	11,237	46.7	-2,089	-18.6	7,848	46.0	1,300	16.6
Tayside	979	5.0	1,563	6.5	-584	-37.4	924	5.4	55	6.0
Orkney Islands	66	0.3	80	0.3	-14	-17.5	62	0.4	4	6.5
Shetland Islands	143	0.7	66	0.3	77	116.7	130	0.8	13	10.0
Western Isles	55	0.3	125	0.5	-70	-56.0	78	0.5	-23	-29.5
SCOTLAND	19,559	100.0	24,047	100.0	-4,488	-18.7	17,059	100.0	2,500	14.7

Source: Department of Employment

Table 6 Unemployment-vacancy (U/V) ratio: by region)									
	October 1991			October 1990			October 1989		
	U/V	GB rank	% GB	U/V	GB rank	% GB	U/V	GB rank	% GB
Borders	5.01	3	27.4	3.77	5	40.3	3.84	19	59.8
Central	10.82	12	59.1	7.55	34	80.7	7.78	48	121.1
Dumfries & Galloway	7.85	7	42.9	6.59	28	70.4	7.52	44	116.9
Fife	15.41	36	84.2	10.92	49	116.7	12.52	61	194.7
Grampian	4.09	2	22.4	2.72	1	29.8	3.19	14	49.6
Highland	9.62	9	52.6	6.25	26	66.7	5.97	37	93.0
Lothian	11.02	15	60.2	8.07	41	86.3	7.70	45	119.8
Strathclyde	13.31	29	72.7	9.67	47	103.4	10.58	56	164.7
Tayside	15.57	37	85.0	8.54	43	91.3	8.47	51	131.7
Orkney Isles	6.38	4	34.8	5.29	15	56.5	7.95	49	123.7
Shetland Isles	2.45	1	13.4	5.23	14	55.8	6.83	42	106.3
Western Isles	28.40	61	155.1	11.31	51	120.8	20.84	65	324.3
SCOTLAND	11.27	-	61.6	8.02	-	85.7	8.50	-	132.3

Source: Department of employment

Table 7 TTWAs with unemployment rates above the Scottish average, October 1991

	No of TTWAs	No above Scottish average*		No above regional average*	
Borders	5	0	(0)	2	(3)
Central	3	2	(2)	2	(2)
Dumfries and Galloway	7	3	(3)	3	(3)
Fife	3	2	(2)	1	(1)
Grampian	8	1	(1)	8	(8)
Highland	9	3	(1)	3	(3)
Lothian	3	1	(1)	1	(1)
Strathclyde	12	8	(8)	6	(5)
Tayside	7	2	(2)	2	(2)
SCOTLAND	57	22	(20)	28	(28)

*Figures in brackets refer to situation last quarter (July 1991)
Source: Department of employment

Table 8 TTWAs with highest and lowest unemployment rates: October 1991								
			Unemployment rates*		High-low*		High/low*	
Borders	H L	Peebles Galashiels/Kelso and Jedburgh	(8.4) (4.2)	(8.4) (4.5)	4.4	(3.9)	2.05	1.87
Central	H L	Alloa Stirling	11.9 6.7	(12.7) (6.9)	5.2	(5.8)	1.78	1.84
Dumfries and Galloway	H L	Cumnock and Sanquhar Dumfries, Lockerbie/Stewartry	17.9 5.8	(18.4) (6.0)	12.1	(12.4)	3.09	3.07
Fife	H L	Kirkcaldy North East Fife	11.1 11.6	(11.6) (6.1)	5.5	(5.5)	1.98	1.90
Grampian	H L	Forres Aberdeen	12.0 3.0	(13.4) (3.0)	9.0	(10.4)	4.00	4.47
Highland	H L	Wick Badenoch	11.9 5.4	(11.7) (4.9)	6.5	(6.8)	2.20	2.39
Lothian	H L	Bathgate Haddington	10.5 6.4	(10.8) (6.3)	4.1	(4.5)	1.64	1.71
Strathclyde	H L	Greenock Oban	13.3 5.3	(13.8) (4.7)	8.0	(9.1)	2.51	2.94
Tayside	H L	Arbroath Blairgowrie & Pitlochry	9.8 4.7	(11.2) (4.0)	5.1	(6.3)	2.09	2.29

Source: Department of Employment

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

Table 9 TTWAs with highest and lowest unemployment rates and ranks: October 1989 and October 1991

			Unemployment: Oct 1991			Unemployment Oct 1989			High-Low		High/Low	
			% rate	GB rank	Sc rank	% rate	GB rank	SC rank	Oct 1991	Oct 1989	Oct 1991	Oct 1989
Borders	H	Peebles	8.6	115	24	6.3	102	36	4.4	3.0	2.05	1.91
	L	Kelso and Jedburgh/Galashiels	4.2	305	56	3.3	227	59				
Central	H	Alloa	11.9	24	9	12.3	6	3	5.2	5.3	1.78	1.76
	L	Stirling	6.7	192	33	7.0	79	30				
Dumfries and Galloway	H	Cumnock and Sanquhar	17.9	1	1	18.0	1	1	12.1	13.6	3.09	4.09
	L	Dumfries, Lockerbie/Annan	5.8	243	44	4.4	176	55				
Fife	H	Kirkcaldy	11.1	39	13	9.9	24	14	5.5	4.4	1.98	1.80
	L	North East Fife	5.6	246	47	5.5	127	41				
Grampian	H	Forres	12.0	22	6	12.0	7	4	9.0	8.8	4.00	3.75
	L	Aberdeen	3.0	318	59	3.2	232	60				
Highland	H	Wick	11.9	23	7	9.9	23	13	6.5	4.6	2.20	1.87
	L	Badenoch	5.4	259	49	5.3	136	43				
Lothian	H	Bathgate	10.5	55	15	9.2	35	19	4.1	4.0	1.64	1.77
	L	Haddington	6.4	216	37	5.2	144	45				
Strathclyde	H	Greenock	13.3	7	2	13.6	3	2	8.0	8.5	2.51	2.67
	L	Oban	5.3	267	51	5.1	149	49				
Tayside	H	Arbroath	9.8	68	19	9.0	39	20	5.1	4.3	2.09	1.91
	L	Blairgowrie and Pitlochry	4.7	288	52	4.7	163	54				

Source: Department of Employment