

THE FRASER OF ALLANDER
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The Fraser of Allander Institute

The Fraser of Allander Institute was established in the University of Strathclyde on 1 January 1975. Its principal function is to carry out research on the Scottish Economy, and its research programme includes co-operation with the Scottish Council Research Institute and IBM (United Kingdom) Scientific Centre in the compilation of Input-Output Tables for Scotland, and the publication of a Quarterly Economic Commentary. It also publishes a series of Research Monographs to provide an outlet for original quantitative research on the Scottish Economy, and a series of occasional papers entitled Speculative Papers.

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1. Summary

World and United Kingdom

The downward trend in production in the industrialised countries which took effect from about the middle of 1974 appears to have continued throughout the first half of 1975. While Japan experienced a slight rise in industrial production in the second quarter of this year, a general recovery of world trade appears to be waiting for unmistakable signs of recovery in economic activity in the United States. Evidence from the United States is conflicting, and therefore it seems unlikely that output in the industrialised countries will increase before the end of the year.

These uncertainties may postpone recovery in the United Kingdom. Total output of goods and services in the UK may be expected to fall until the end of the year, with only a very slight increase in output throughout 1976. While output is slowly increasing next year, unemployment is seen to continue rising, perhaps reaching 1½ million by the end of the year.

Rising unemployment and falling living standards may be expected to generate considerable political pressure on the government to reflate aggregate monetary demand. It will not be sufficient for the government merely to resist this pressure. The next twelve months might usefully be occupied by paying attention to the underlying structural problems of the British economy. It is important for the government to convince people that the only way in which real wages can be increased is by improving productivity. Increasing the level of investment will not by itself be desirable, unless the investment is directed towards the more productive sectors of industry.

Scotland

The comparatively better performance of the Scottish economy in 1974, relative to the British economy, appears to have been sustained throughout the first half of 1975. However a close examination of indicators of

economic activity in Scotland during the past quarter suggests that this relatively better performance is not being maintained. Nevertheless it seems clear that Scotland is suffering less badly during the current recession than one might expect from past experience.

An examination of the unemployment figures shows that women are faring relatively worse than men in the current depression. During 1975 the total number of unemployed in Scotland has included an increasing proportion of women. While total unemployment in Scotland has not yet reached the level of the 1972 peak, the number of school leavers without jobs in July was nearly double the 1972 figure. While there are marked differences in the levels of unemployment rates in different regions, the impact of the current recession in the different regions of Scotland shows a remarkable consistency.

We expect no increase in total GDP in Scotland in 1975. A recovery in the first half of next year will not be sufficient to prevent a further rise in unemployment. We expect the present level of unemployment to continue relatively unchanged until the end of the year. Thereafter we expect a sharp rise, reaching approximately 145,000 by March 1976.