

SUMMARYWorld and United Kingdom

The recovery of the world economy is now firmly established. Led by an expansion of production in the United States, West Germany, and Japan, the volume of world trade is expected to increase by 10% this year.

The pattern of recovery is similar in the leading industrialised countries. Output and profit levels are increasing, while inflation rates have been brought down to single figures, (except in Italy and the UK). On the other hand, there is so far little evidence of a substantial upswing in investment in plant and equipment, and unemployment is expected to remain high by historical standards.

In the United Kingdom, industrial production is rising, stimulated by increasing exports. The rate of price inflation may be reduced to about 15% by the last quarter of the year, while unemployment is not expected to fall below the 1 million level before the end of 1977.

While public expenditure cuts may be a short-term relief, they do not by themselves alleviate the underlying problems of the British economy, which include low productivity and a lack of flexibility in the use of resources. There are some signs that the Government is beginning to recognise these problems, and it is to be hoped that they may act accordingly.

Scotland

Total output in the economy has passed its lowest point, and a slow recovery is under way. The recovery is stimulated largely by overseas exports, and to a lesser extent by re-stocking and private housebuilding. However, because of restraints on public and private expenditure, it is likely that the recovery will be a mild one until the end of the year. It is estimated that the aggregate volume of output (real GDP) in Scotland in 1976 will be 5.4% above the 1975 level. The greater part of this increase is contributed by the flow of oil from the North Sea, so that the increase in the non-oil components of GDP is estimated to be 2.1%.

We expect that unemployment will begin to level-off in the autumn, so that our forecast October figure of 153 thousand, (seasonally adjusted), will remain substantially unchanged until January 1977.

Unless there is a major initiative in government economic policy, leading to a substantial and permanent increase in the level of productive investment in both the public and the private sectors, the outlook for the Scottish economy in 1977 and 1978 is a bleak one. In the absence of any such increases, then the most likely outcome of existing and foreseeable trends is that the present mild recovery will fade away by the first half of 1977, and thus that unemployment will not fall below the 120 thousand level until sometime in 1978 or even 1979.