

SUMMARYWorld and United Kingdom

The initial recovery from the 1974-75 recession in Germany, Japan and the United States has lost much of its momentum. It is likely that the growth of world output and of international trade will be slower in 1977 than it was last year. Failure of the major countries to agree on co-ordinated action may consign many of the European economies to an extended period of stagnation.

The United Kingdom economy has also entered a period of stagnation, as evidenced by the relatively low levels of retail sales, imports, and bank advances, and the very slow growth of output. There seems little prospect of any significant improvement in output and employment before the end of 1978. On the other hand, a continuing abatement in the rate of inflation can be expected at least until the end of the year. The growth of North Sea Oil revenues, which will exceed £1000 million during 1977, will likewise assure an improvement in the balance of payments.

SCOTLAND

The outlook is discouraging for many industries serving traditional markets overseas and in the United Kingdom. The prospects are particularly bleak for construction, shipbuilding and other industries delivering capital goods to the public sector. On the other hand, prospects are good for textiles, chemicals and some branches of engineering and services. Overall, a continuing slow rate of growth of output is envisaged for the next six months.

The trend level of unemployment increased only slightly between January and March. We expect that this statistic (seasonally adjusted) will increase gradually to about 167,000 by October, while the actual number of unemployed may well exceed 190,000 in July when the full impact of the school-leaving date is felt.