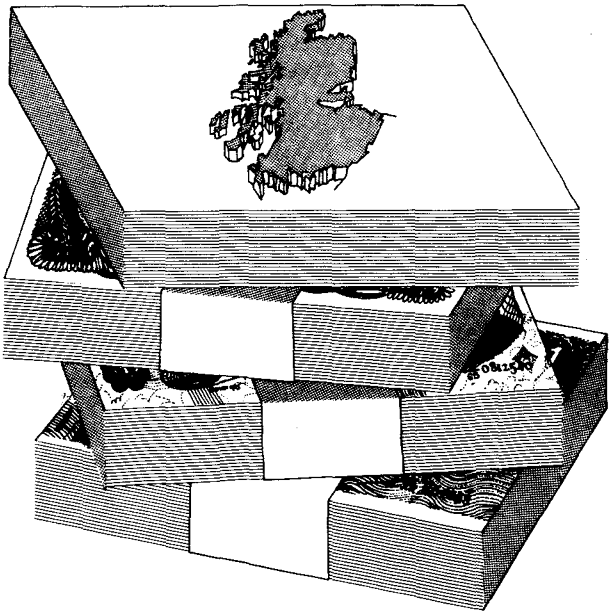
The Scottish Economy

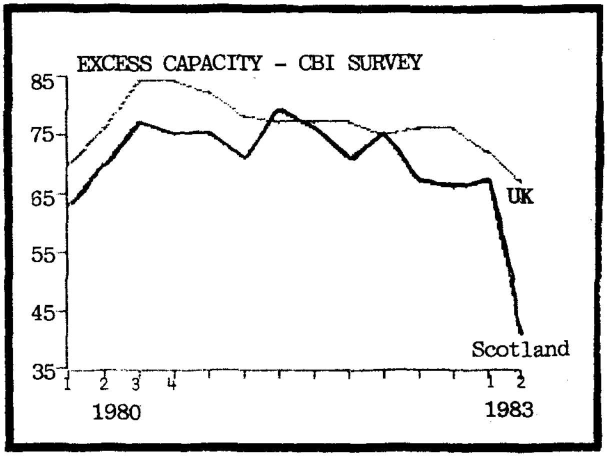
Industrial Performance

CBI SURVEY



The July CBI Survey recorded a marginally less optimistic assessment of the general business situation in Scotland than three months ago with singificantly less optimism amongst Scottish firms about their export prospects compared to the April survey. However, perusal of the detailed results reveals that the slight deterioration in the overall assessment is due to a reduction in optimism about conditions in general amongst only two sectors, food,drink and tobacco and other manufacturing. The remaining sectors display greater optimism than in April. In general medium sized firms are most bullish about general prospects, those employing between 200-500 professing themselves more optimistic than in April, while both larger and smaller employers profess themselves less so.

Though the assessment of the general economic climate has deteriorated only marginally since April, export prospects are considered markedly less favourable than three months ago. Only amongst firms in engineering, textiles and other manufacturing are prospects considered not to have deteriorated. In contrast to the assessment of the overall situation, where medium sized firms are most confident, it is only amongst small firms employing less than 200 that the export situation is considered to be more favourable now than in April. These were the only firms to record on balance export order books above normal in July. However, both small and medium sized firms expect increased price competition abroad to hamper their export prospects in the coming months. By contrast, amongst larger firms, whose export order books are thin, external demand is considered a more important constraint on export performance than price competitiveness.



Capacity utilisation increased amongst all sizes of firm over the three months to July, with the percentage of Scottish respondents who consider their present capacity excessive considerably less than the average for Britain as a whole. Amongst the smallest and the largest firms there has been a reduction in the number who consider present capacity excessive in relation to the expected level of demand over the next twelve months and an increase in the proportion considering capacity inadequate. Medium sized firms record the opposite. However, amongst all firms combined, capital expenditure over the coming year is now expected to be marginally lower than in the past twelve months. Once again small firms buck the trend, expecting to spend more on both buildings and on plant and equipment. Medium sized firms expect to invest an increased amount in plant but less in buildings, while large firms anticipate spending less on both categories of asset. Across all size classes the prime motive for investment continues to be increased efficiency. Replacement of existing capacity is the next most important motive except for small firms for whom increasing capacity is accorded greater importance.

The July survey suggests that employment in manufacturing will continue to contract over the coming quarter, but at a slower pace than in the recent past. However, small firms continue to predict increased employment with the rate of new hiring expected to accelerate. While most sectors expect to continue to shed labour over the remainder of the year, the balance of firms in other manufacturing expect to increase their workforce, while employment in chemicals, coal and petroleum products, and in engineering is expected to remain steady.

On the basis of the survey evidence the volume of manufactured output would appear to have increased during the second quarter with a further but perhaps slower rise anticipated for the current quarter. The balance of firms expecting to increase output in the present quarter is much the same as that recording increased output in the last, but this is the result of two offsetting factors: reductions in both the numbers expecting to produce less and in the numbers expecting to produce more, with a much larger group expecting to maintain the second quarter's level. The most buoyant expectations of output are amongst smaller and medium sized firms, particularly so amongst the latter. Large firms by contrast include a greater number of respondents who expect their output to be lower in the current quarter than expect it to rise.

The July survey provides fairly solid evidence that a recovery is taking place in the Scottish manufacturing sector. However the recovery is patchy, and while output may indeed be on the increase, there are no grounds for anticipating a strong recovery in employment, or an end to the cycle of redundancies and plant closures. The July survey heralds an amelioration rather than a reversal of these trends.

AGRICULTURE

The weather and the EEC continue to dominate short and long term prospects for Scottish farmers. The combined effects of the wet spring and dry summer are having a marked effect on prices in agricultural markets, while recent cutbacks in CAP spending will be particularly felt in Scotland.

Lamb prices have fallen sharply over the summer months from an average of 230.3p/kg at the end of May to 97.8p/kg by mid-July. Moving into August prices have risen to 114.1p/kg in Scotland but with still more lambs expected on to the market prices are likely to fall. These trends have led to higher variable premiums. At 111.9p/kg at the beginning of August producers are earning more from the premium than from the market.

The new 21 Day Slaughter rule for sheep became effective from 1 August. All 'punched' sheep certified live for the variable premium must be slaughtered within 21 days. Whilst it was known that the UK would have to conform to EEC regulations the main concern has been the very short notice given for its implementation plus the fact that for purely administrative convenience the scheme will be applied retrospectively for lambs purchased prior to the 1 August start date. Nevertheless, despite the complaints from producers, the downward effect on market prices will be minimimal and slaughter forecasts to the end of the year have been only marginally affected.

It is still too early to predict with confidence the scale of the harvest in Scotland. Indications are that winter sown crops have survived the wet weather earlier in the year better than those sown in the spring. Both could still provide a good yield depending on weather conditions over the next month.

Ex-farm prices for barley have levelled out at around £120 per tonne on stronger continental buying. The new intervention year has just started and 140,000 tonnes of barley have been offered for intervention compared with 180,000 tonnes at the same time last year.

Old crop potatoes, like barley, have enjoyed buoyant prices over the past few months. The colder weather in May extended the market season for old crop with an associated holding back of demand for earlies, whose prices are only 2/3 of last year's levels at this time. Stocks of old crop are now running out and this will help the prices for earlies. Harvest prospects are relatively good. Despite a slightly lower acreage, yields are expected to be higher by about 1 to 2 tonnes per hectare compared with last year. Nonetheless total supplies will be around 10 to 15% less than a year ago.

Scottish farmers are particularly badly affected by the recently announced cut-backs in agricultural support spending, where the aim is to reduce the cost of the CAP by approximately £1,450m - a 15% reduction. The lion's share will be borne by milk, beef and lamb producers all of whom are relatively more important for Scottish agriculture than in the UK as a whole.

On the business front the attempt to raise funds from farmers themselves to restructure the Farmers Meat Company (FMC) failed miserably with less than £1m being subscribed, well short of the target of £10m. A management buyout is now being mooted. Historically FMC has been producer-controlled and an important buyer of Scottish meat. There is now a danger that at a time when the farming industry is actively lobbying for government support on a number of issues, the failure of the farmers themselves to support the FMC restructuring will dissuade the government from providing the degree of support requested on other matters.

FISHING

Total landings of fish in Scotland by UK vessels in the first quarter were 63,854 tonnes worth £32.2m. The volume of landings rose by 11.7% over the corresponding period of 1982, while the value of the catch increased by nearly 18%. The low level of landings in January attracted very high prices, with an average of £615 per tonne, but the near doubling of supplies in February caused the prices of the main catches to fall back. Figures for March and April show an upturn in prices and quantities for most species, though the market for haddock weakened.

Vessels from the UK and other EEC countries are currently banned from fishing in the newly revived North Sea herring grounds. Norway, under her swapping arrangements with the EEC has access to the fisheries until her interim catch allocation has been exhausted. The suspension of activity by EEC vessels has been brought about by the inability of ministers to decide final national quotas from the 84,300 tonnes allocated to Community boats in 1983. The ban will continue until the next meeting of the Fisheries Council in early October, by which time many of this year's opportunities will have been lost because of the southward migration of herring shoals. Reacting to the North Sea ban, many Scottish boats have moved to the West Coast herring grounds. Stocks there are however of poorer quality and are difficult to locate, due in part to the fact that foreign vessels have been fishing outwith the 12 mile limit off the West Coast for some time thereby diminishing the supplies reaching the Minch.

Scottish fishermen are naturally concerned that a reasonable quota of herring should be allocated to the UK out of the total EEC catch. Such an allocation would augment the sources of pelagic species available to the fleet at present, some of which are in danger of being over-fished. The pelagic catch, of which the main species were traditionally herring, sprats and mackerel, decreased rapidly in volume as herring stocks diminished in the mid-seventies. Following the total ban on herring fishing in the North Sea in 1977, boats turned to mackerel, and landings in Scotland (by Scottish and other UK vessels) increased from 54,000 tonnes in 1977 to 107,000 tonnes in 1978. Since then the volume of mackerel landed in Scotland has been consistently in excess of 100,000 tonnes. Overall, however, landings of pelagic species declined after 1978 and the real value of the catch fell, showing some improvement when the West Coast herring grounds were reopened after a period of closure. The North Sea herring grounds seem to offer significant opportunities to Scottish purse seiners and pair trawlers to sustain and improve present catch levels, at the same time easing pressure on the West Coast herring and mackerel stocks. Unfortunately, it seems unlikely that the UK herring quota will approach the 35% of the EEC total, in line with the UK's allocation of the seven main species, which Scottish fishermen consider equitable.

The Scottish Office has reversed a previous decision and given permission for the development of a fishmeal plant on Barra by a North Shields company, assisted by the HIDB. The Scottish Office had earlier declined approval to the Board's proposal on the grounds that there was no guarantee of suitable supplies being available to the plant and that a satisfactory rental had not been established. Both issues have now been resolved, and the plant is expected to be operational in two years time, giving employment to around 30 people.

CONSTRUCTION

The number of permanent dwelling starts in Scotland rose slightly in the latter half of 1982, and was 43% higher than in the corresponding period of 1981 with a recovery in both the public and private sectors.

Provisional figures reveal a decline in public sector dwellings starts in the first quarter of the current year, while the reverse is true of starts in the private sector. The number of dwellings under construction rose steadily throughout 1982, and provisional data show that this trend continued in the first three months of 1983. Information from new construction orders points to a continuation of trends in the very short-term, thereafter housebuilding may begin to falter. The value of new orders for private housing increased by almost 20% in the first three months of this year, but more recently it appears that inquiries and new orders for private housing are slipping. Orders for new public sector housing in the first three months of 1983 were at the lowest quarterly level since 1980.

Loan approvals by the Nationwide Building Society suggest that house prices in Scotland rose by 8% in the 12 months up to June, a somewhat lower increase than in the UK as a whole where the rate was 11%. Prices of older properties increased most rapidly, by 10% over the year as a whole, with the increase being especially marked in the second quarter of this year. By contrast new house prices increased by only 4% in the twelve months to June, to give an average price for new dwellings in Scotland of £31,660, the most expensive in the UK outside the South East and South West of Britain.

Orders for non-housing work increased by around £20m in the first quarter of 1983 in Scotland, but in real and current terms they remain below the levels of early 1982. Orders from nationalised industries rose significantly, and the £64m railway electrification scheme in Ayrshire will provide a further boost to this sector. The other main source of demand was the private industrial sector with demand for the construction of factories and offices particularly strong.

The general outlook for Scottish construction is less buoyant than expected - the latest evidence on orders for new work does not offer encouragement for future levels of activity. In addition, the recent Government decision to retrieve a total of £45m of rate support grant from 62 of Scotland's 65 local authorities is likely to have some adverse impact on their spending in the rest of the financial year, in turn affecting the volume of orders placed with contractors.

OIL AND GAS

UK oil production is still on a rising trend. In the first quarter of 1983 it increased to an average of 2.25m barrels per day (mbpd), an increase of 17.5% on the same period last year. This was followed by further increases to 2.15 mbpd and 2.26 mbpd in April and May respectively, and then a reduction to 2.03 mbpd in June, the lowest rate of production for a year. The lower rate during the summer months is not unexpected as major oilfields such as Brent and Fulmar carry out routine maintenance of production platforms. Output in the third quarter of 1983 is likely to be lower by almost 0.12 mbpd as a result of the gas fire on the Forties Delta platform. Thus output may fall short of the 2.4 mbpd originally predicted by Wood McKenzie for the end of 1983.

Capital spending in the UK sector of the North Sea reached a level of £3.1bn in 1982 and accounted for 25% of total UK fixed investment. During the past few years British industry is estimated to have taken an average of 70% of the development work in the UK sector of the Continental Shelf.

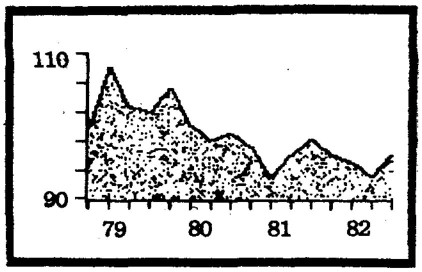
The relaxation of the North Sea taxation regime announced in this year's budget, worth about £800m over four years with £115m in the first year, is helping to stimulate the rate of development of discovered reserves of oil. This is particularly true of smaller fields with up to 50 million barrels of reserves which, although costing around $20 per barrel to appraise, develop and exploit, are estimated to be capable of yielding a rate of return of at least 15% under the new regime. Since the announced tax changes, the number of new fields expected to be brought into production over the next ten years may be increased from 14 to 20. Over the next twenty years the total may reach 65. Among the fields being brought forward for development are Shell/Esso's Tern and Eider fields in the East Shetland basin, Sunoil's Balmoral, BP's East Forties, and Marathon's North Brae. These latter three fields could add about 330-430 million barrels to the estimated recoverable reserves of 12bn barrels. Production should be underway in these fields by 1988. Shell/Esso's Cormorant field in the East Shetland basin incorporates a significant technological development which became operational in May of this year. The Underwater Manifold Centre is a remote controlled production system capable of operating in deep water without human maintenance for a period of 25 years. This production system makes possible the development of small fields, where production platforms would not be justified on economic grounds, and can facilitate the development of fields in much deeper waters than the existing UK sector of the North Sea.

In the short to medium term, the continued development of North Sea oil production will provide an important source of revenue, income and employment within Scotland. Marathon's new development in the North Brae field will create up to 6000 jobs during the peak of the construction phase. Expected expenditure is £1bn with 70% of sub-contracts being placed within the UK. The award of a share in a £45m platform contract to the Methil yard in Fife will help to maintain the existing level of 1000 persons employed over the next two years.

In addition to these developments increasing attention is being devoted to onshore exploration and production. With no end to stagnation in world oil prices within sight, and with this year's tax changes making development of small fields an economic proposition, the rate of exploration and appraisal of lower cost onshore fields in the UK has increased dramatically. In July of this year, 37 new licences were taken up for onshore fields bringing the total for 1983 so far to 46, the record for any full year. Included amongst these new licences were approvals for oil and gas searches in Fife, Tayside and Dumfriesshire. Although the largest UK onshore field may at present only yield 20,000 bpd at peak rates of production compared with 20 times that amount in large offshore fields such as Brent and Forties, exploration and development costs are substantially lower. It costs about £1m to drill a well and restore the landscape onshore, compared with about £100m to develop a significant field offshore.

In the medium to long-term it is estimated that the bonanza for the UK economy from North Sea oil could be over by the mid to late 1980's, when North Sea production from the major fields begins to decline. At present, the production peak is estimated to occur around 1986, but this could be postponed provided the discovery of new and development of existing fields continues. The effect of a decline in the rate of production on UK government tax revenue is clear. Last year tax revenue from the North Sea amounted to £7.8bn. This could rise to £11.5bn in 1986 provided that prices do not fall significantly, and then decline to £1.01bn by 2001. Self sufficiency in oil could be over by the end of the 1980's with a consequent deterioration in the balance of payments and a requirement for drastic reductions in government expenditure. If oil prices fall, then the future reduction in tax revenue will be even greater. It has been estimated that a fall in price from the current reference price of $30pb to $25pb could reduce tax revenue by £2.5bn per annum.

FOOD, DRINK AND TOBACCO



While UK output remained virtually unchanged throughout 1982, the level of output in Scotland increased by 3 index points in the last quarter of the year. However, this improvement should be seen in perspective. The indices of output in both Scotland and the UK peaked at the same level, 108, in 1979. In the fourth quarter of 1982, the Scottish index stood at 96, while the UK index was at 105.

Despite the recovery in manufacturing industry as a whole reported in the July CBI survey for Scotland, the food, drink and tobacco trade remains on balance depressed, according to the same source. While a majority of firms are optimistic about new orders and deliveries to the home market, this is offset by the 84% of respondents who are less optimistic about export prospects than they were 4 months ago. Most blame political and economic conditions in the traditional export markets rather than exchange rate considerations.

The future ownership of FMC Limited, Europe's largest meat marketing company, with 11 plants in Scotland handling 600,000 head of livestock a year, is in doubt. While it is believed to be operating profitably the company is unable to generate sufficient cash to pay off its bank loan and to provide for future investment. Its size makes it a critical part of the Scottish meat processing industry (see Agriculture above). Meanwhile, a family owned meat processing businesss, Halls of Broxburn, have completed a £4 million re-building programme, and are poised to enter the European market for the first time. They expect to increase their employment from its present level of 740.

At the luxury end of the market, a new Scottish company which developed the idea of curing salmon in malt whisky has achieved a turnover of £750,000 in 12 months. They report that the US market can take as much as they can produce, with the product retailing at £32 per pound.

WHISKY

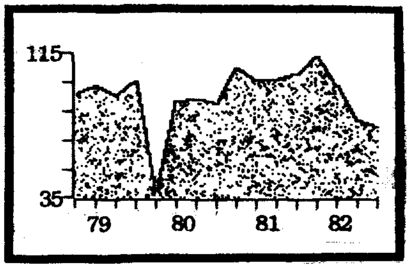
The troubles which have haunted the whisky industry since its boom year of 1978 are not yet over according to the latest set of figures released by the Scotch Whisky Association. After a slight recovery in the second half of 1982 whisky sales declined again in the first half of 1983. Volume sales dropped by 9%, from 119.9 million litres of pure alcohol (LPA) to 108.6 million LPA. However, these figures may prove to be misleading because although export sales were down 16% to the all-important US market there has been a substantial recovery in sales in June. With the emergence from recession of the US, the industry is optimistic about sales prospects for the coming months.

So far the world recession has hit the whisky industry very hard; more so than most other industries since around 85% of total sales are for export. Because of the time structure involved in the manufacture of Scotch the main casualties in the recession have been the producers of malt and grain whisky, as distinct from the blenders. The product must be "laid down" for at least four years in bonded warehouses (the maturation process) before being sold. At the present, the volumes of whisky reaching minimum maturity are those produced in relatively good years like 1978 and 1979. Hence, available stocks are more than adequate given present levels of demand and are likely to remain so for the foreseeable future. Consequently there have been fairly heavy production cutbacks. The blenders have in fact gained financially from the recession because they have been laying down reduced quantities of stock than in previous years.

Distillers Company Limited have seen their domestic market share fall from 50% in 1971 to 23% now. In February 850 jobs were lost in their rationalisation programme and further job cutbacks are expected in the near future. Problems for the firm may be alleviated somewhat by the re-introduction of one of its most famous blends, Johnnie Walker Red Label, into the home market after a number of years of absence triggered by the requirements of EEC competition policy.

On the positive side, recent developments include: White Horse have produced a new whisky for the middle range of the Japanese market which is expected to retail at around £18 per bottle, while on the negative side, 78 jobs have recently been lost at the Strathleven whisky plant in Dumbarton, bringing the workforce down to 790.

METAL MANUFACTURE

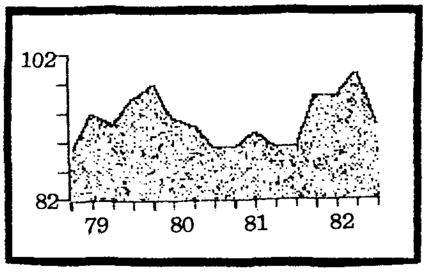


The index of metal production for the last three months of 1983 fell for the third consecutive quarter. The fall, of the order of 4% from the level of the previous quarter,was however at a much slower rate than in the earlier part of 1982. Indications from industry sources and the CBI Survey continue to suggest that there has been a slight improvement in 1983 - notably in home demand. The modest increase in the British share of steel production quotas within the EEC is reflected by responses to the July CBI Survey which placed much reduced emphasis on quotas and import restrictions as barriers to export sales in the coming quarter. The constraining factors are seen overwhelmingly as price and generally depressed demand.

Following the rise in new orders and output reported in the April 1983 CBI Survey, the most recent July Survey records a general increase in business optimism in the industry. 73% of respondents expect domestic orders to improve over the next 4 months compared with 7% in April, although there has been little change in export expectations. Stocks have fallen sharply and are expected to fall further, though order books lengthened markedly over the period April-July compared to the beginning of the year. The July Survey recorded a slight increase in capacity utilisation within the industry, though the vast majority of respondents still expect to reduce employment further over the next four months.

In spite of recording a loss of £386m for 1982/83, the British Steel Corporation's outgoing Chairman Ian MacGregor forecasts that the Corporation will reach a breakeven point by 1984. Despite the government's public commitment to maintaining Ravenscraig little has been done to dispell growing uncertainty about the future of the Scottish steel industry. Ian MacGregor suggested that the development of new technologies could enhance the viability of Hunterston and, by implication the structure of the Scottish industry. (See **Quarterly Economic Commentary**, May 1983, pp.33-37). He did not however give any indication of the timescale involved. A draft of the proposal that Revanscsraig should be linked with the US Steel Corporation's Fairless plant is to be submitted to the government by the end of August. This self-financing arrangement would involve closing the finishing section at Ravenscraig. The plan has already come under considerable criticism.

ENGINEERING AND ALLIED INDUSTRIES



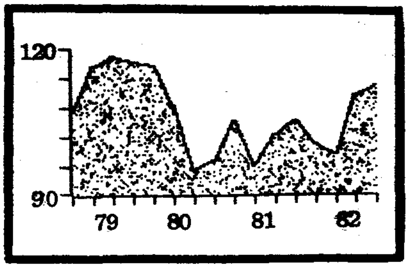
Output of engineering and allied industries during 1982 was 6.7% up on its 1981 level. The increase would have been significantly greater but for a sharp fall in production in the fourth quarter. Increased output in 1982 was accounted for by the continuing strength of the electrical (and electronic) engineering sector in Scotland, in marked contrast to the performance not only of the rest of the engineering industry, but also of electrical engineering in the UK as a whole.

The July CBI Survey, reflecting the diversity of firms in the industry, recorded a marked increase in both the percentage of respondents expressing more optimism about the general situation and in that expressing less. Responses to other questions however, present a much more favourable picture of the industry compared to that depicted by the April Survey. In particular order books appear to have lengthened noticeably and the degree of excess capacity has been reduced. Demand and new orders from the home market appear stronger, with fewer firms expecting to reduce employment over the coming four months. Capital expenditure on plant and equipment in the coming year is expected to be somewhat greater than reported in April while significant rebuilding of stocks of raw materials and work in progress is also anticipated.

The contrast between the optimistic outlook in the electrical and electronic engineering sector and other parts of the industry is underlined by recent company reports and developments. Weirs see no evidence of a revival of orders for pumps and spares, and the company have announced the ending of pump production at Alloa and its transfer to Cathcart. Redundancies of 430 are involved in Alloa and the long term future of the remaining jobs must now, at best, be uncertain. Anderson Strathclyde and Cummins Engineers at Shotts also recently reported redundancies of 50 and 265 respectively. In Glasgow, the British Rail Engineering Works have just embarked on a £17m contract to refurbish the suburban "blue" trains.

There have been a number of announcements of new investment and considerable discussion about proposed investment in the electronics industry, mainly from companies already operating in Scotland. Mitsubishi decided in May to produce VCR's at the old Pye factory in Livingston rather than locate their initial assembly at the Haddington TV plant. Production started in August and there should be sufficient local content by 1985 to export to the rest of the EEC. Burroughs are planning a further £3m investment in Livingston and have designated Cumbernauld as sole supplier of its latest mini computer, the B95. The Timex dispute has been settled and the Sinclair flat screen TV development continues. Further investment plans are expected from Motorola and Digital in the integrated circuits and personal computer markets, while Victor Technology are considering introducing their micro computer to Glenrothes.

CHEMICALS AND PETROLEUM PRODUCTS



In the fourth quarter of 1982 output rose in the chemicals, coal and petroleum sectors by 2% over the previous quarter bringing the index of industrial production up to 112 - the only manufacturing sector above its 1975 level. This represented a 7% increase on the corresponding quarter of 1981. The Scottish sector continues to fare relatively much better than its UK counterpart which experienced a 2% fall in output between the third and fourth quarters.

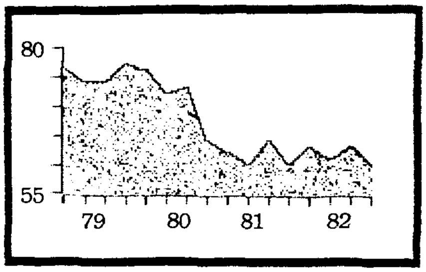
These trends are borne out by the July CBI survey which reports much gloomier results for the UK as a whole than for Scotland. For instance, only 15% of Scottish respondents indicated that they were working below capacity whereas the figure for the UK was 85%. Again, with regard to export orders, in Scotland 30% of firms were more optimistic about future prospects and only 9% less optimistic. This favourable balance was not reflected in the UK section where 4% were more optimistic and 4% were less optimistic.

COAL

The coal industry is in the doldrums - and likely to remain so. The Scottish coal industry faces difficulties on two fronts: first, the National Coal Board lost £111m in the financial year to March 1983 and, of the seventy pits cited in the Monopolies and Mergers Commission report on the NCB as being most at risk because of their continued heavy losses (ie. more that £10 per tonne of coal produced), five are in Scotland - Cardowan (which is already scheduled to close with its 1090 jobs being dispersed elsewhere), Barony and Killoch in Ayrshire and Comrie and Frances in Fife. (See Industrial Relations, above). The fate of these last four pits could be sealed when the second problem comes to a head in September depending on the outcome of the contract negotiations between the NCB and its biggest Scottish consumer, the SSEB. At present the SSEB has a huge stockpile of coal (20 winter weeks) caused by falling demand during the recession. It intends to cut its purchases from the NCB by ten percentage points to 80% of its needs and to tender on the open market for the remaining 20%. If its proposed buying reductions are successful the over production in Scottish pits will be untenable. Furthermore, coal-burning is unlikely to increase when the liquified petroleum gas currently being used at the Peterhead power station is diverted in 1985 to the Moss Morran petrochemical plant in Fife. The oil-fired plant at Peterhead is unlikely to be converted to coal-burning but instead will probably join its sister-plant, Inverkip, in mothballs. Nine opencast mines in Scotland, which contributed £34.7m in profits to the NCB accounts, are included in the government plan to privatise this profitable end of the coal industry - a move likely to arouse the wrath of both the NCB and NUM.

All these circumstances make the NUM conference resolutions, pledging opposition to pit closures and locally bargained pay deals and calling for a 15-20% pay rise supported by industrial action, look like more of the toothless tigers they have continually turned out to be since Mr Arthur Scargill took office.

SHIPBUILDING AND VEHICLES



The index of industrial production, after picking up in the first three quarters of 1983, showed a 4% drop to 60 for the last quarter - bringing it back to the previous low point experienced in the corresponding quarter of 1981. However, given the events in the first six months of 1983, the hope that this is the nadir for the industry would seem misplaced.

The future of the Scott-Lithgow yard in Greenock remains uncertain. In 1982 the yard lost £14.9m, but this was more than quadrupled in 1983 when the figures, announced last month, showed that it had lost £66m. This prompted criticism by British Shipbuilders Chairman Sir Robert Atkinson and from Norman Lamont, the government minister responsible for shipbuilding, who warned the yard that it was on its "last chance". Large scale redundancies at the yard (2,150 out of a total workforce of 5,500) have now been announced.

Along with Scott-Lithgow, the British Shipbuilders annual report singled out two other loss-making Scottish yards; Govan Shipbuilders, which lost £12.5m last year, and the Henry Robb yard at Leith which lost £2.4m as potential casualties in their push for viability. Although the threat to the latter two yards is not as pressing as for Scott-Lithgow, if the government pushes ahead with its privatisation plans for the naval builders and dockyards, such as Yarrows and Rosyth, any loss-makers at all may be sacrificed. It remains to be seen how the new BS Chairman will proceed.

On the reaches of the Upper Clyde, Govan Shipbuilders are preparing to call for 450 redundancies this month. Unless new orders are won before next spring, one third of the yard's 3,300 workforce might be at risk. Fortunately their order book is not completely empty and management is confident that new orders will be forthcoming.

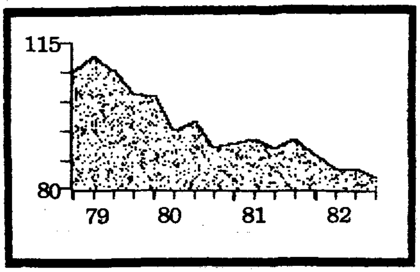
Another yard in difficulties is the Argyll firm of Campbelltown Shipbuilders, the major Scottish builder of trawlers. They have had to pay off 40 of their 85 workforce because of a lack of new orders. Unfair undercutting by Danish competitors is cited as the reason for losing out on a major order recently.

One bright spot in the sea of gloom is the engine order won by the Greenock yard of John Kincaird Limited. This order is worth £3.25m and is destined for the replacement ship for the Atlantic Conveyor, one of the vessels sunk in the Falklands conflict.

Employment in vehicles continues to decline in Scotland with the July announcement of a further 450 redundancies at the British Leyland plant in Bathgate. This brings to 4,000 the number of jobs lost at Bathgate in the past 4 years. The company has recently won a £3m contract to supply trucks for use in construction of the new Falklands airfield. The Albion axle plant in Glasgow was the scene of industrial action in May over calls for

146 redundancies. Almost 1,000 jobs have been shed at this plant in the last three years. Leyland Trucks now employ only 3,400 in Scotland and with export markets in particular remaining depressed, further redundancies are likely.

TEXTILES, LEATHER AND CLOTHING



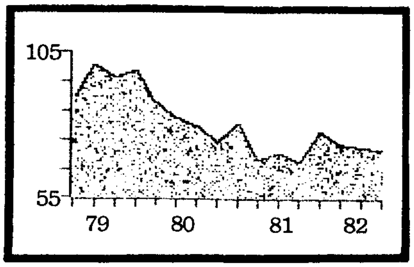
Production levels reached an all-time low in the fourth quarter of 1982, when the index of production for this industry stood at 83, compared to the peak of 111 achieved in the second quarter of 1979. There is little doubt that the principal factor accounting for this decline was the high value of sterling in relation to other currencies, in particular the dollar, thus depressing the industry's exports and encouraging competing imports.

This impression is borne out by the July CBI Survey which shows that since the fall of sterling against the dollar in the earlier part of this year prospects have changed dramatically. A balance of 54% of respondents are more optimistic about the general outlook for the industry than they were when surveyed in April. The proportion of respondents who now feel that they are working at satisfactory levels of capacity is well above that for manufacturing industry as a whole.

An interesting example of the confidence felt in the longer-term prospects for expansion in the industry is the fact that two of the major companies, Coats Patons and Dawson International have both recently made major capital spending decisions. Dawsons have bought one of West Germany's largest yarn spinners, KSW of Wilmevshaven, and at the same time intend to spend some £5m this year on re-equipping some of their Scottish plants to widen their knitwear range. The Chairman of Coats Patons has announced that they are prepared to spend up to £20m to acquire another UK company within, or closely related to, the industry. They have also established a joint venture company to manufacture worsted fabrics in China. The fabrics will then be made into garments elsewhere in the Far East for ultimate export to the United States. About 500 jobs were lost by the company in Scotland in the last financial year with more to come when the Ferguslie plant closes.

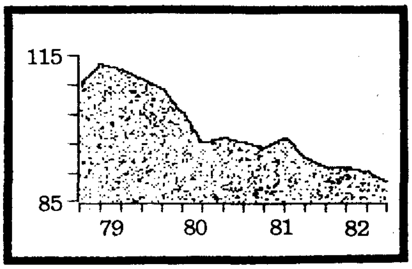
The second quarter also saw the collapse of the Inverwear factory in Greenock, which was put into receivership in June. Formerly the Lee Jeans factory, where a well-publicised sit-in occurred in 1981, the firm later emerged as the Inverwear Co., a new organisation set up to take over the factory in September 1981. But Inverwear had to be rescued again in March 1983 by the SDA and other organisations, and finally collapsed in June.

BRICKS, POTTERY, GLASS AND CEMENT



Scottish production fell from an index level of 72 in the third quarter of 1982 to 71 in the 4th quarter. Throughout these sectors Scottish firms are actively involved in the painful process of responding to structural and technological changes. The future of the United Glass Closures factory in Stirlingshire should be safeguarded by the company's decision to respond to the declining demand for metal closures by investing in more capacity for plastic closures and containers. United Glass's bottle plant at Shettleston on the other hand is scheduled for closure at the end of 1983 with the loss of around 228 jobs. Only about 50 of these jobs will be transferred to the company's Alloa factory. Elsewhere 70 jobs will be lost at Rockware's Irvine factory as part of a general cutback throughout the UK. The West German firm of Wilfred Seits has started production of glass fibre and mineral wool insulation materials at its Clydebank factory creating 77 new jobs.

PAPER, PRINTING AND PUBLISHING



The steady decline in the Scottish index of production continued into the 4th quarter of 1982 where it stood at an index level of 89. Despite the contraction of output since the first quarter of 1980, there are, at last, some positive indications of a revival in some sections of these industries. Some companies reporting their 1982 financial results have noted a higher level of demand in the early months of 1983. However the major constraints for the paper part of the industry, at least in the immediate future, is the expected fall in demand from Europe combined with an expected rise in woodpulp prices later in the year.

The Sunday Standard, despite sharing premises and other overheads with its sister paper **The Glasgow Herald,** ceased publication at the end of July with the loss of 79 jobs. Failure to reach circulation targets ensured that advertising revenues would be insufficient. Losses amounting to £5m had been built up since starting publication in April 1981. Closure became inevitable given the longer term prospects for ever-mounting debts and little possibility of a viable future.

COMPANY FORMATIONS AND DISSOLUTIONS

For the second quarter of 1983, the number of companies incorporated in Scotland was 1217. This represents an all-time high since we began to record the the figures in 1977. Institutional factors as well as a secular movement toward self-employment are the most likely explanations for the present level. Dissolutions for the second quarter stood at 355.

The Labour Market

EMPLOYMENT AND UNEMPLOYMENT

Table 1 below records the most recent estimates of the number of employees in employment in Scotland and in England and Wales for the period March 1982 to March 1983.

TABLE 1 EMPLOYEES IN EMPLOYMENT IN SCOTLAND IN ENGLAND AND WALES (000'S)

SCOTLAND	TOTAL	MALES	FEMALES	FEMALE/ MALE RATIO	SCOTTISH EMPLOYMENT AS A % OF GB EMPLOYMENT
Mar 1982	1,913	1,074	839	0.78	9.26
June 1982	1,933	1,081	851	0.79	9.36
Sept 1982	1,904	1,070	835	0.78	9.28
Dec 1982	1,880	1,053	827	0.79	9.25
Mar 1983	1,860	1,040	820	0.79	9.27
ENGLAND AND WALES					
Mar 1982	18,738	10,714	8,024	0.75	
June 1982	18,718	10,667	8,052	0.75	
Sept 1982	18,608	10,621	7,986	0.75	
Dec 1982	18,443	10,471	7,971	0.76	
Mar 1983	18,209	10,353	7,856	0.76	

Note: Constituent items may not add to totals due to rounding.

Source: Department of Employment Gazette

According to these figures, total employment in Scotland fell by 20,000 (1.1%) in the quarter to March 1983, compared with a fall of 234,000 (1.3%) in England and Wales. Scottish total employment in March was over 50,000 (2.8%) below the level of a year earlier, with an equi-proportional fall in England & Wales. In both areas, male and female employment contracted in the first quarter of this year, with male employment accounting for 65% and 50% of job losses in Scotland and in England and Wales respectively.

These aggregate changes reflect developments at the sectoral level, with seasonal factors during the last quarter of 1982 and the first quarter of 1983 also exerting considerable downward pressure on employment in some industries, notably in construction and in parts of the service sector.

Figure 1

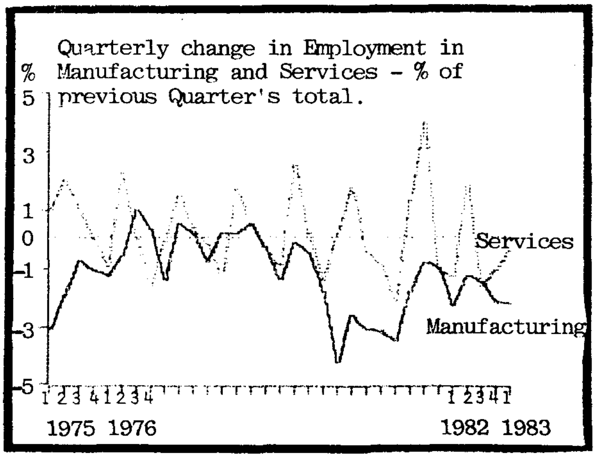
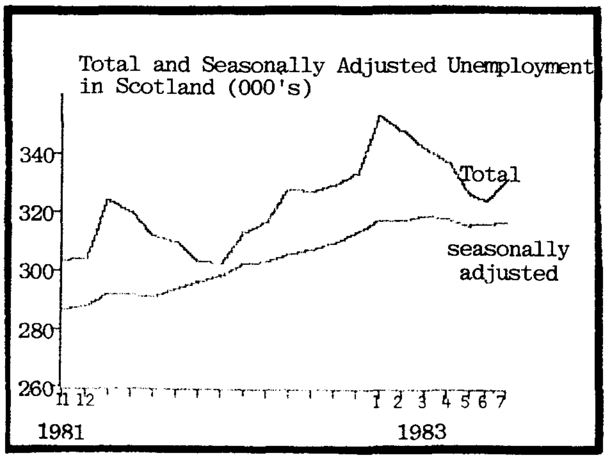


Figure 1 shows the rate of change of employment in the service and manufacturing sectors in Scotland since 1975 on a quarter to quarter basis. The influence of seasonal factors is clearly evident. The greater cyclical sensitivity of manufacturing relative to services is also apparent, particularly in the period 1980-81. However, Figure 1 and Table 1 are derived from a basic employment series in which no allowance has been made for the underestimation of employment (mainly in the service sector and amongst self-employed) which is known to have occurred since 1981 (see the UK Economy above). Revisions, when available in early 1984, are likely to confirm that service sector employment throughout the recession has been relatively stable and that the majority of job losses have been concentrated, as expected, in manufacturing and construction.

The fact that the dramatic decline in the industrial sectors has not been offset by an expansion of the service sector has had severe implications for unemployment. Total registered unemployment in Scotland in July 1983 was 330,342 (14.8%), an increase of 6,455 (0.3%) from the June figure of 323,887. Included in this figure are 18,001 school leavers, 253 more than in June. An additional 23,842 school leavers are registered at Career Offices but not yet entitled to benefits and therefore excluded from the official unemployment count which is now based on benefit claims. Some of these young people may return to school, others may find employment but a large proportion will either be added to the official unemployment figures in the coming months as claimants or find their way onto government schemes.

Figure 2



Excluding school leavers, the seasonally adjusted total of 316,100 (14.2%) is up by 200 on June. If older workers, who under a 1983 Budget provision no longer have to sign on at Unemployment Benefit Offices, are added back in, the seasonally adjusted figure is 326,300, an increase of 1,300 over the corresponding figure for June. Figure 2 shows the trends in total and seasonally adjusted unemployment for Scotland from November 1981 to July 1983, the period for which data on the new basis are available. In recent months, the underlying rate of change in unemployment shown by the seasonally adjusted data appear sto indicate that unemployment may be levelling off. Closer scrutiny of the data, however, reveals that such a conclusion is not well founded. The various revisions and refinements of the major statistical series on employment and unemployment, and the resulting discontinuities in these series, together with changes in definitions and forms of presentation have led to a significant underestimate of actual unemployment, (see Economic Perspective 1 below), and have done little to facilitate understanding and analysis of unemployment and employment issues at a time when there is a pressing need for new initiatives to deal with such problems as the long-term unemployed.

Over the course of the recession, high and rising levels of unemployment have increased the numbers of people facing the prospect of extended spells of unemployment (see the World Economy, above). Typically the longer the period of unemployment the greater the economic and social problems associated with it. Table 2 below records the latest available information on duration of unemployment in Scotland. It can be seen that in April 1983 over 1 in 3 of those on the register had been unemployed for over a year. Approximately one third of these were aged under 25. Approximately 1 in 12 of all unemployed had been out of work for more than 3 years. By contrast in mid-1978, prior to the onset of the current recession, only 1 in 5 on the register had been out of work for more than one year.

TABLE 2 UNEMPLOYMENT BY AGE AND DURATION : APRIL, 1983

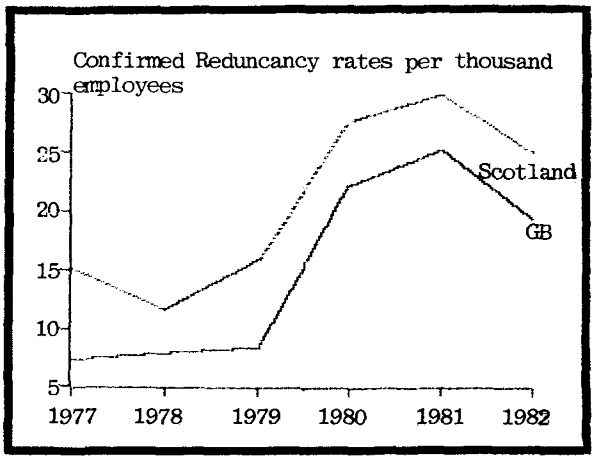
	UNDER 25		25-54		55 & OVER		ALL AGES	
	TOTAL	SHARE	TOTAL	SHARE	TOTAL	SHARE	TOTAL	SHARE
Up to 6 mths	65,062	47.3	61,358	38.4	10,938	27.3	137,358	40.7
Over 6 mths & up to 1 year	35,178	25.6	33,325	20.9	7,757	19.3	76,260	22.6
Over 1 year & up to 2 years	23,439	17.1	30,055	18.8	9,673	24.1	63,167	18.7
Over 2 years & up to 3 years	9,506	6.9	17,298	10.8	4,924	12.3	31,728	9.4
Over 3 years	4,256	3.1	17,720	11.1	6,812	17.0	28,788	8.5
TOTAL	137,441	100	159,756	100	40,104	100	337,301	100

NOTE: Share refers to the percentage of the total number of unemployed in each age group to be found in each duration category.

Source: Department of Employment Gazette

The Statistics in Table 2 exclude people on government employment schemes. Although measures aimed at youth unemployment have persistently had a high priority, other schemes have been developed to assist groups of people with specific characteristics. For example, the Enterprise Allowance Scheme is geared to assist unemployed people who wish to start up their own businesses. In June 1983, there were 77,912 people on at least ten different special employment and training schemes in Scotland. The Manpower Services Commission have now produced a leaflet* describing the kind of assistance available under each of the schemes.

REDUNDANCIES



A recent analysis of the industrial and regional incidence of redundancies (Department of Employment Gazette Vol.91,No.6) shows that Scotland has consistently performed worse than Great Britain. From a low of 11.5 confirmed redundancies per thousand employees in 1978 the Scottish figures climbed to a peak of 29.8 per thousand in 1981, but subsequently tailed-off in 1982 (25.0), with most recent data suggesting a further improvement. The corresponding figures for Great Britain show that there were 7.8 redundancies per thousand employees in 1978, 25.1 in 1981, and 19.3 in 1982.

Due to complications in the recording of redundancies, too much weight should not be placed on absolute levels. It would be unlikely, however, if relative comparisons were to prove misleading. Comparisons can be made both across regions and between industrial sectors of Great Britain. On a regional basis, both in the period 1977-79 and 1980-82, Scotland experienced redundancy rates (confirmed redundancies per thousand employees) greater than the (standardised) regional average. However, in contrast to the earlier period where their experience was broadly similar to Scotland's, Wales, the North and North West of England all experienced a more severe incidence of redundancies than Scotland between 1980 and 1981. The East and West Midlands of England and Yorkshire and Humberside also showed an increase in redundancy rates which outstrips that of Scotland, and in the case of Yorkshire and Humberside resulted in more confirmed redundancies per thousand employees than in Scotland: 28.7 as opposed to 27.5 over the period 1980-82. It is the relatively mild incidence of redundancies in the South West, South East and East Anglia which keeps the Great Britain average below that of Scotland.

To some extent, differences in the regional severity of redundancies reflect differences in the industrial composition of employment within these regions. Thus regions which specialise in manufacturing as opposed to service activities tend to exhibit higher redundancies if only because it is manufacturing industry which has been most severely hit in the depression. Mechanical Engineering accounts for the largest absolute number of redundancies though Metal Manufacture experienced by far the largest numbers per thousand employees: 147.3 in 1981. Scotland's relative dependence on such activities partly explains the higher level of labour "shake-out" it has experienced.

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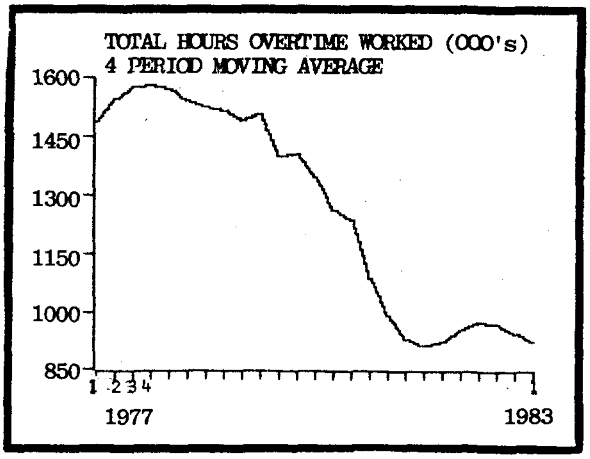
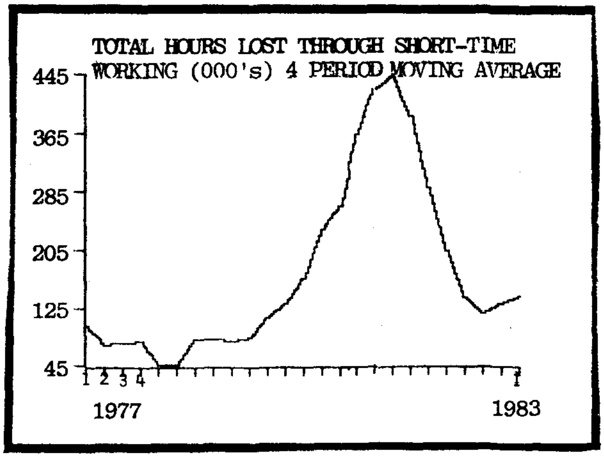
* Jobs, Training and Early Retirement, Department of Employment PL 723,HMSO.

While of interest, redundancies are only one component of the flows which generate net changes in levels of employment and unemployment. The initial reaction to a contraction in demand is most likely to be felt in new hirings and hours worked; it is only when depressed conditions are felt likely to endure that redundancies take place. Once "restructuring" of the labour force has occurred, response to variations in demand is most likely to come, once again, from hours worked. This would explain the irregular behaviour of observed redundancies when compared to other series, through the course of the present recession.

SHORT TIME AND OVERTIME WORKING



Total hours of overtime worked in Scotland fell in the first quarter of 1983 to 869.4 thousand hours from 927.3 thousand hours in the previous quarter. This figure is reflected in a contraction in the number of operatives working overtime from 102.6 thousand in the final quarter of 1982 to 100.9 in the first quarter of 1983. While these figures are in part a consequence of seasonal factors, adjustment using a four quarter moving average still reveals a contraction. As mentioned previously in this **Commentary** this decline reflects the fact that the output recovery of 1982 was short-lived.



150,600 hours were lost through short-time working in the first quarter of 1983. While this represents a decline of 17.8 thousand hours on the previous quarter, correction for seasonal variation reveals that the upward trend apparent from the second quarter of 1982 was maintained. Given the most recent information on levels of activity in the economy, it is likely that this trend, if it was matched by a slowdown in redundancies, was a consequence of the expected recovery in output which is now being experienced.

INDUSTRIAL RELATIONS

The main disputes in Scotland in the last three months have occurred at the Albion plant of British Leyland in Glasgow, at the factories of the Timex Company at Dundee, and at a number of pits in the mining industry. The disputes have shown some similarities; in particular, they have all been characterised by a difference of opinion and policy between local union officials and the national leaders of the relevant unions, and in virtually each case the national officials have stepped in and proposed a solution to a protracted dispute. The disputes have also shown that the principle of compulsory redundancies is being resisted in different industries with differing degrees of success; in vehicles and watch-making with little success, in mining with some.

At BL's Albion plant, at Scotstoun, Glasgow, 1300 hourly paid workers went on strike in May over the issue of compulsory redundancy. BL management announced that 146 employees would be made compulsorily redundant if the required number of volunteers was not forthcoming. Although this target was largely met by volunteers some weeks before the declared deadline, the policy was reiterated by management and challenged by the trade unions. Management saw the problem centring on the prerogative of managers to set manning levels. They urged the largest union in the plant (the AEW) to hold a mass meeting of the 1300 strikers, and also wrote to each member of the workforce, in an attempt to get the employees to vote on the issue. The unions saw the redundancies as a threat to jobs and to the long-term future of the plant, and opposed the principle of compulsory redundancies. The failure of local union officials to call a meeting of the strikers and no sign of a solution to the problem after 2 weeks of strike action, coupled with the fact that the Albion works is the only plant providing axles to other BL truck plants led to the intervention of national officials of the trade union. This provided a basis for a return to work and for further discussion of the problem; but it also accepted that management retained the right to make compulsory redundancies where necessary, a right which the local shop stewards only accepted with reluctance.

The same principle of management retaining the right to use compulsory redundancies when volunteers were insufficient was maintained by Timex at Dundee. Here, 1900 redundancies were demanded by management at its Dundee plants in January 1983 with the shutdown of the watch-making operation. Although almost 1780 volunteers were forthcoming, the company considered that another 120 redundancies were required within a given period, and that these must be achieved by compulsory redundancies, if necessary. An attempt to solve the problem in March failed because management was unwilling to accept a policy of 'no compulsory redundancies', and a occupation of the Milton plant of Timex at Dundee then took place. However after an occupation of 6 weeks, national trade union officials and Timex management agreed to delay the compulsory redundancies required. In early July both parties agreed to a 5% wage rise plus bonuses, and a guarantee of no compulsory redundancies in the company for a year. Thus although watch-making has now been lost to Dundee, employment on electronic and TV components remains, and trade unions and management have each achieved some, if not all of their aims.

Recent strikes in the Scottish mining industry provide a similar story, set around similar issues. The NCB decided to close Cardowan colliery in Lanarkshire, which was losing £30 per tonne of coal extracted, in a series of shutdowns during May and June, involving 1100 jobs. This was part of overall NCB policy of closing up to 70 uneconomic pits in the country over the next 5 years. The National Union of Mineworkers is pledged to oppose all such pit closures and transfers of workers. The partial closure of the Cardowan pit in June and the transfer of volunteer workers from this colliery to pits in Stirling and in Fife brought resistance from workers in these pits. The NCB claimed that volunteers for transfer in this way were being intimidated and it closed Polmaise Colliery in West Stirlingshire until workers transferred to this pit were allowed to work there without interference. The Board claimed that miners opposed to the transfer of labour were providing a challenge to management's authority and to its declared policy. The NUM argued that the Board was not following the established review procedure of consulting the union on transfers before a pit was closed, and it argued for a policy of sufficient voluntary redundancies at the recipient collieries to accommodate voluntary transfers of labour. Strikes at some collieries over the transfer of volunteers and the threat to extend action to other pits in Fife and elsewhere led to agreement in early July and at least a temporary solution to the problem. Cardowan colliery is to be rundown through transfers and early retirement but with no compulsory redundancies. Polkemmet colliery has agreed to accept Cardowan men on the basis that voluntary redundancy is given to 300 Polkemmet men, thus providing a replacement on a man-to-man basis of the workers transferred from Cardowan, and with no change at other collieries in mid-Scotland.

One other dispute in Scotland in recent months is worth mentioning. In May, the Professional Divers Association, which is not a registered trade union, found itself in conflict with Sub-Sea Offshore, a US company which does not recognise trade unions. The dispute arose partly over working conditions and bonus payments and partly over the claim of the Association to represent its members in any negotiations. The sit-in which followed resulted in dismissals and an attempt by the National Union of Seamen to extend the dispute to all North Sea installations on which Sub-Sea Offshore had personnel. This action appears to have failed and the dispute seems to have subsided even if it has not been wholly resolved. The issue of union recognition however, is a problem about which trade unions periodically express concern; it is claimed that there may be 12,000 people working offshore in oil field installations, the majority of whom are not covered by a trade union agreement. Clearly this issue is likely to reappear.

Finally, a judgement handed down in June by the Appeal Court in Edinburgh has provided an important decision in labour law. The judgement concerned a sit-in at the laboratories of Kirkcaldy Victoria Hospital by 12 hospital laboratory technicians which was ended by police action on 25 September 1982. The case that followed reached the Appeal Court in June 1983, where a judgement was given that action taken during a sit-in (a not unusual form of industrial protest in Scotland) could fall within the criminal rather than the civil law, and that further cases of this kind might be dealt with in this way. This is obviously a serious modification of existing labour practice, and it seems unlikely that trade unions will be willing to let the matter rest.

The sit-in followed a dispute between the technicians and Fife Health Board, over who should sign laboratory reports, the technicians or the doctors, and ended with the technicians being charged under the 1875 Conspiracy and Protection of Property Act. However the Sheriff held that the evidence was insufficient to convict them under this act, and in any case he considered that the immunities given under the 1974 TULRA applied in this case, i.e. that interference with someone's trade or business in contemplation or furtherance of a dispute is not actionable. As a result he found them not guilty.

The Crown appealed, arguing that the action of the technicians was not covered by the 1974 TULRA, that their behaviour went further than interfering with trade or business, and that even if they were covered by the 1974 Act this only gave immunity from civil and not from criminal actions. Against this it was argued that if the 1974 Act gave civil immunity to an action by a trade union, it was unreasonable to make the same action open to criminal proceedings; and in any case, it was argued, no criminal actions took place, since the laboratory technicians were where they were entitled to be, at their place of work. The Crown won its appeal, the Appeal Court deciding that the 1974 TULRA only gave protection against civil action, but gave no immunity against actions which in themselves were criminal actions or were part of a criminal offence. At the same time, the Crown decided not to pursue the matter further and to drop any further charges. The judgement however seems an important one. Although the 1982 Employment Act specifically excluded sit-ins from any protection given to them under the 1974 Act, it had been thought that this latter act had given complete legal protection. It appears now that it covered only civil action, and although this protection has now been withdrawn by the 1982 Act, the possiblity of a criminal action has apparently always existed.

Regional Review

REGIONAL LABOUR MARKETS

The regional distribution of unemployment reflects the structural weaknesses and strengths of the local economies. Thus Grampian's economy may well improve from an already relatively strong base, in line with offshore expansion - although significant change is unlikely to occur in the short-run. However, the future for Strathclyde is much less bright. Indeed, as older industries continue to contract the struggle will be to find investment in technologically advanced industries and in the service sector. In terms of jobs, both are very important, yet require not only capital, but also retraining programmes of a very substantial type, and of course, attitudinal shifts from those most affected.

TABLE 1 UNEMPLOYMENT AND VACANCIES NOTIFIED BY SCOTTISH REGIONS, JULY 1983 (THOUSANDS)

	TOTAL UNEMPLOYMENT		UNEMPLOYMENT RATE %		VACANCIES	
Borders	3,626	(3,905)	9.3	(10.0)	340	(399)
Central	18,245	(18,515)	15.2	(15.5)	1,203	(892)
Dumfries & Galloway	7,060	(7,534)	12.8	(13.7)	392	(412)
Fife	17,424	(17,895)	12.8	(13.2)	878	(994)
Grampian	16,087	(16,741)	8.6	(9.0)	2,410	(2,455)
Highlands	9,730	(10,957)	12.6	(14.2)	1,006	(815)
Lothian	42,103	(42,931)	12.1	(12.4)	2,898	(2,338)
Strathclyde	188,030	(189,632)	17.2	(17.4)	7,677	(5,850)
Tayside	24,874	(25,600)	14.2	(14.6)	1,353	(1,265)
Western Isles	1,731	(1,939)	20.1	(22.5)	126	(40)
Orkney	703	(795)	11.0	(12.5)	58	(39)
Shetland	729	(857)	6.2	(8.3)	59	(60)
SCOTLAND	330,342	(352,757)	14.8	(15.1)	18,400	(17,380)

Figures for April 1983 are in brackets. Unemployment totals and rates include school leavers claiming unemployment benefit. Vacancies include those notified at careers offices and the Employment Services Division. This leads to double-counting, and thus overestimation of the actual number. The data are not seasonally adjusted.

SOURCE: Manpower Services Commission

The decline in the unemployment rate in both the Highlands and the Western Isles is likely to be nothing much more than seasonal variation; a response to tourism etc. In Strathclyde, Central, Tayside and, to some extent, even Fife, seasonal factors have relatively little impact. For these larger Scottish regions cyclical problems are exacerbated by severe structural change.

There are clear signs that the underlying trend of vacancies is upward. However, the overall trend is not sufficiently strong to make any significant impact on regional and national unemployment totals. The present economic expansion, assuming no set-back occurs, does not appear to have the momentum necessary to greatly increase the vacancy total and significantly reduce unemployment in the coming year.

The disparities of unemployment in the Scottish regions are highlighted by the figures of unemployed school leavers.

TABLE 2 UNEMPLOYED SCHOOL LEAVERS : BY REGION

	TOTAL		% OF REGION'S UNEMPLOYMENT	
Borders	112	(133)	3.1	(3.4)
Central	1,079	(1,216)	5.9	(6.6)
Dummfries & Galloway	379	(367)	5.4	(4.9)
Fife	840	(926)	4.8	(5.2)
Grampian	478	(540)	3.0	(3.2)
Highlands	375	(376)	3.8	(3.4)
Lothians	2,282	(2,469)	5.4	(5.7)
Strathclyde	11,262	(11,490)	6.0	(6.0)
Tayside	1,095	(1,255)	4.4	(4.9)
Western Isles	58	(55)	3.3	(2.8)
Orkney	36	(41)	5.1	(5.2)
Shetland	5	(6)	0.7	(0.7)
SCOTLAND	18,001	(18,874)	5.4	(5.6)

Source: Manpower Services Commission

(The figures are unadjusted. April 1983 figures are in brackets.)

The problem for young people within the regions either reflects or reinforces the dilemmas facing the particular region. Thus compare Strathclyde's 6% figure with Grampian's 3.2%. It is clear that Strathclyde. Central and Lothian have major socio-economic difficulties which may, in the Scottish context, get relatively worse if long-term unemployment and training schemes are not forthcoming.

There are currently 25,000 people on the Youth Opportunity Programmes and 500 on the Youth Training Scheme. It is hoped that all unemployed school leavers will be found a place under this latter scheme by Christmas. There are a further 11,000 on community programmes, and 20,000 on young worker schemes.

REGIONAL TRENDS

Starting this quarter this section will contain regular accounts of economic developments in the regions of Scotland. This month we begin with Grampian, Tayside and the Borders.

GRAMPIAN*

Vacancy levels within the region have been increasing since February, and although seasonal factors are partly responsible vacancies of a non-seasonal type have been occurring across a number of sectors: Clipper Seafoods Ltd, a fish processing firm, is to increase its workforce by 50 this year while former employees of Detroit Diesel Allison, a division of General Motors, are to lease part of the original factory back from the Regional Council. The new team hope to hire some 40 workers. Bob Glately, the crane maintenance specialists, after closing down Marine Crane Maintenance, are to join Scott Greennam. The latter also specialises in crane maintenance and is a nationally known company. The joint company, which will offer offshore firms total maintenance packages, hopes to employ around 80 people. In the transport sector, 38 jobs have been saved at Aberdeen Parcels which went into receivership in June. It has now been acquired by Sutherlands of Peterhead and will form the latter's distribution division. Gearhart Goodata, Dyce, have won a major contract from Shell. Gearhart who already employ 200 people onshore, could employ an additional 50 to 100 within the next twelve months. The SDA look almost certain to go ahead with a £2,500,000 investment in a science-park at Balgownie, Bridge of Don. It is possible that the total investment could eventually amount to £6,000,000. At the moment the Agency, in association with Grampian Regional Council, are in discussion with Aberdeen District Council on matters related to planning.

Youth Employment.

Grampian Regional Council has established a team of 12 people to organise and administer the forthcoming Youth Training Scheme (YTS) in which an estimated 620 trainees will take part. Grampian Careers Service has launched a jobs search campaign on behalf of the 1,500 - 2,000 school-leavers expected to register at careers offices over the summer months. As at May, there were only 58 unfilled youth vacancies. However, the search campaign involved contact being made with 1,800 companies operating within the region. Thus far an additional 265 new vacancies have been identified.

Redundancies.

In the spring quarter, the major redundancies were in construction, 1,065 in total. However, not only is this industry seriously affected by seasonal factors, but in addition a majority of construction redundancies reflect the end of particular contracts. This means that whilst many workers will indeed be redundant, others will be moving on after a short pause to new contracts. In manufacturing there were 384 redundancies, compared to 249 for the corresponding quarter in 1982. The total includes 135 lay-offs at Consolidated Pneumatic Tools, Fraserburgh; 60 redundancies at Distillers Company distilleries throughout Grampian; 74 jobs in food processing and a further 115 redundancies in shipbuilding, engineering tooling, wire-manufacture, woollen, and paper and board manufacture.

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* **Grampian Quarterly Economic Review, Summer 1983**, Grampian Regional Council Department of Physical Planning.

Grampian has been to a very large extent protected against the worst of the recession by the oil industry. Oil related employment increased to 55,000 during 1982, with 30,000 of these jobs onshore. However, not even the current optimism in the industry following on the recent Budget will be enough to create significant oil related employment growth in the short to medium term. The Regional Council suggests that, given the lead-in times for oil development projects, no significant boost to employment is likely before the late 1980's.

TAYSIDE *

In the three months or so up until the beginning of June, some £2 million of inward investment has been secured for Tayside. A further £2 million of orders and contracts have also been gained. Amongst the latter, Low and Duff, the Arbroath engineering firm (and the new owners of Anderson Grice), won twelve new overseas orders guaranteeing work for their 40 strong workforce for some considerable time. In Montrose, Cadbury & Typhoo have introduced an evening shift which has created 65 part-time jobs. A further 300 seasonal workers are also to be employed. Giddnap and Lewis Fraser, Arbroath, have won two contracts valued at £435,000, from Hughes Offshore, Montrose. The equipment to be manufactured includes a horizontal boring machine and a vertical turret lathe. Chromalloy American Corp. are to expand their industrial turbine repair facility at Dundee, creating 90 jobs.

A scheme operated jointly by Tayside Regional Council and the EEC, has helped in the creation of 438 new jobs in the first ten months of operation. In the first instance, firms seeking to create new employment approach the Council's Planning Committee. If the latter gives approval, 30 per cent of wage costs are met for the first six months of employment. Thus far, some 225 applications have been endorsed, and over £313,000 disbursed.

Youth Employment

A new company, Blackness Training, has been launched with the intention of providing training for young people and adults in the Blackness Business Development Area of Dundee. Something like 150 training places under the new Youth Training Scheme will be available for 16 year olds. The main aim of the company will be to find permanent employment for the majority of the youngsters at the end of their year's training. Tayside Regional Council will be the major management agent for the Youth Training Scheme in Tayside. It will both administer its own schemes, and sponsor other programmes which seek to find openings for young people. It is anticipated that by the end of 1983 somewhere around 3,600 young people will be looking for places on the scheme in Tayside. The Council will probably be managing at least 1,300 such places.

Redundancies

The decline in employment at Timex which commenced in August 1982, with the loss of 100 jobs in the toolroom has continued ever since. In January 1983,

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* **Quarterly Economic Review**, Summer 1983, Tayside Regional Council, Department of Planning, Tayside Digest, Issue Number 23

1300 redundancies were sought, with a further 600 jobs lost by the transfer overseas of the Nimslo 3D camera. The Company have also announced the loss of 300 jobs at their Dundee plants. Other significant job losses for the summer quarter are; 45 redundancies at I D Brown's photographic processing laboratory in Dundee; 44 lost after the liquidation of T S Scaffolding Ltd and 89 at the Carnoustie firm of Anderson Grice, engineers and cranemakers. However, Anderson Grice has been taken over by Low and Duff (see above) and it is hoped that between 20 and 30 jobs can be created in the short-term.

Oil Industry

There are currently 2,300 people in Tayside engaged in oil related work. This gives the region around 4 per cent of Scotland's oil related employment. However the number of firms wholly engaged in oil activites in Tayside has been on the decline since 1977. Although demand has been identified for Tayside firms in inspection, repair and maintenance work, it is felt that a lack of suitably qualified personnel may hamper this expansion effort. One potential remedy for this problem is an improvement in training courses in Tayside colleges. For example, Non Destructive Testing, an increasingly important part of maintenance operations, is one area where there is marked room for expansion in trainee numbers.

BORDERS*

The major economic event of the quarter was site preparation begun by Jonn Laing Construction Ltd, for the Borders District General Hospital at Huntlyburn, Melrose. The greatest demand for construction labour will occur in about a year's time. Upon completion around 1,000 people will be employed in the hospital, the majority being transferred from existing facilities. However, between 100 to 200 additional jobs will be created for part-time and ancillary workers and for medical staff. In the manufacturing sector STC Exacta Ltd, Selkirk, have taken on 25 of their part-time workforce on a permanent basis.

Redundancies

Peter Scott & Co Ltd, Peebles, have paid off 52 workers at their Hawick and Kelso factories. Redundancies were also implemented by A Middlemas & Son Ltd, at their Kelso bottling plant.

The number of development enquiries received between March and May was 31, this compares to 17 for the previous two months. These figures have given grounds for limited optimism of an improvement in the local economy. Four of these enquiries are from individuals or companies in electronics related activities, while one is from a company already established in the Borders.

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* **Borders Regional Council,** Report by Director of Physical Planning and Development on Industrial Developments April/May 1983

Outlook and Appraisal

The recovery phase of the cycle is now well established in the world economy. Strange though it may seem, amongst the major European economies the recovery is most evident in Britain. Buoyant consumers demand and an apparent end to the running down of stocks are currently responsible for growth in GNP at an annual rate of about 2.5% - respectable by British standards, sluggish by those of any other major economy. Regardless of whether the current pace of expansion is described as slow or fast, it is insufficient to produce any significant fall in the current level of joblessness in Britain. It is difficult to see any likely acceleration of the pace of growth over the next eighteen months. Indeed it will be no mean achievement to maintain the present rate. The two main sources of buoyant aggregate demand to date, consumers' expenditure and an end to stock liquidation, may already have made the bulk of their contribution to the recovery.

The rate of increase in real take home pay is likely to slacken over the next six months as retail price inflation accelerates. It seems unlikely that the underlying rate of earnings growth will slow much beyond its present 7-7.5%. What is likely is that the gap between the rate of increase in earnings and that of prices will narrow considerably in the coming two quarters. Trends in real take home pay in early 1984 will depend critically on the level of settlements in the coming pay round. While those in work are likely to see further, albeit slower, increases in their real take home pay, the level of joblessness is likely to remain such that singificant growth in real personal disposable income in the economy as a whole is unlikely over the coming year. With the savings ratio unlikely to fall further, indeed perhaps beginning to rise as inflation ceases to decelerate, consumers expenditure is unlikely to remain buoyant over the coming year. Significant stockbuilding also seems unlikely as the stock output ratio is currently close to its long term trend.

Trends in the Scottish economy mirror those in Britain as a whole, though with allowance for sectoral and regional variations. The mood of cautious optimism detected amongst Scottish manufacturers in the April CBI Survey appears to have been sustained into July, though Scottish firms are now significantly less optimistic about their export prospects than they were in April. A larger proportion of Scottish firms appear to be working at acceptable levels of capacity utilisation than do their counterparts in Britain as a whole and the July Survey suggests a slowing down of the rate of job loss in Scottish industry over the remainder of this year. However there are no indications of widespread intentions to increase employment while the Survey suggests that the pace of output growth is unlikely to accelerate. No significant reduction in the underlying seasonally adjusted unemployment total is likely over the coming 9 months. We expect the unadjusted total excluding school-leavers to amount to 338,000 in December. In principle the number of unemployed school leavers should be considerably lower than in the recent past as the MSC's Youth Training Scheme comes into full operation with a guarantee of a training place for all unemployed 16 year old school leavers and the likelihood of a place for any interested 17 year old.

The immediate future is unlikely to see an improvement in the relative position of Strathclyde region. The economic situation in other regions may deteriorate further, indeed in some cases positive factors making for growth can be identified. In Grampian, the pace of oil-related activity is likely to quicken in lagged response to the recent budget measures. In the East of Scotland, the electronics sector provides a focus for growth. In the Borders, the textile industry is probably over the worst of the recession. In Strathclyde, hopeful signs are fewer, and the expected slowdown in the volume of construction activity does not augur well.

For the British economy as a whole the recent clutch of economic indicators are somewhat less encouraging than expected. Provisional estimates suggest that the volume of industrial production fell in June, with the fall not wholly explained by seasonal factors. Retail sales fell in July while retail price inflation accelerated to 4.2%. The latter was widely predicted but the former two developments in varying degrees unexpected. The June industrial production figures, which may subsequently be revised upwards, are unlikely to signal a reversal of the rising trend of production, but may well herald a somewhat less vigorous performance in the second half of this year. The slowdown in retail sales was not expected to become apparent so soon or so abruptly. Future months are unlikely to see further sharp falls but significant growth over the levels of the first half of the year seems equally unlikely.

17th August 1983

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