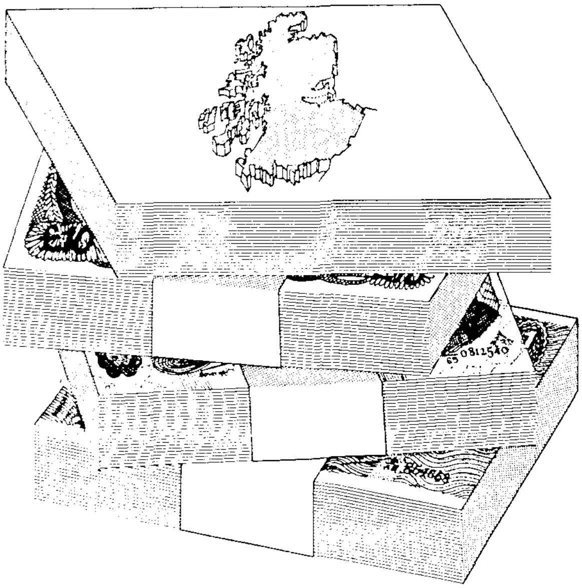
INDUSTRIAL PERFORMANCE



SHORT-TERM FORECASTS*

In the last issue of the Commentary, we forecast that an up-turn in the business cycle (in terms of the seasonally adjusted Scottish output index for production industries, Divisions 1-4 of the 1980 SIC) would occur in the third quarter last year, indicating technically an end to the current recession. This is confirmed by the latest official data, published by the Scottish Office on 11, February 1992 (see Table 1 below).

The present forecasting period extends to the second quarter of 1993. In making the Scottish forecasts, the output index series for the UK production industries is used as the exogenous data input. We calculate the UK index for the present forecasting period on the basis of the National Institute's projections. The output equation on which the forecasts are based is re-estimated using the revised and extended official data on the UK and Scottish output series. As Figure 1 shows, since 1989 Q2, the divergence between the actual output index for Scottish production industries and that for the UK has apparently widened, with the Scottish index holding up relatively well during the latest recession. Since we have no obvious explanation yet for this divergence, we included a period dummy variable in the estimation. In generating the forecasts, we assume that the divergence between the performance of Scottish production industries and that of the UK average still persists over the first half of this year, and gradually fades out in the second half as business returns to normal.

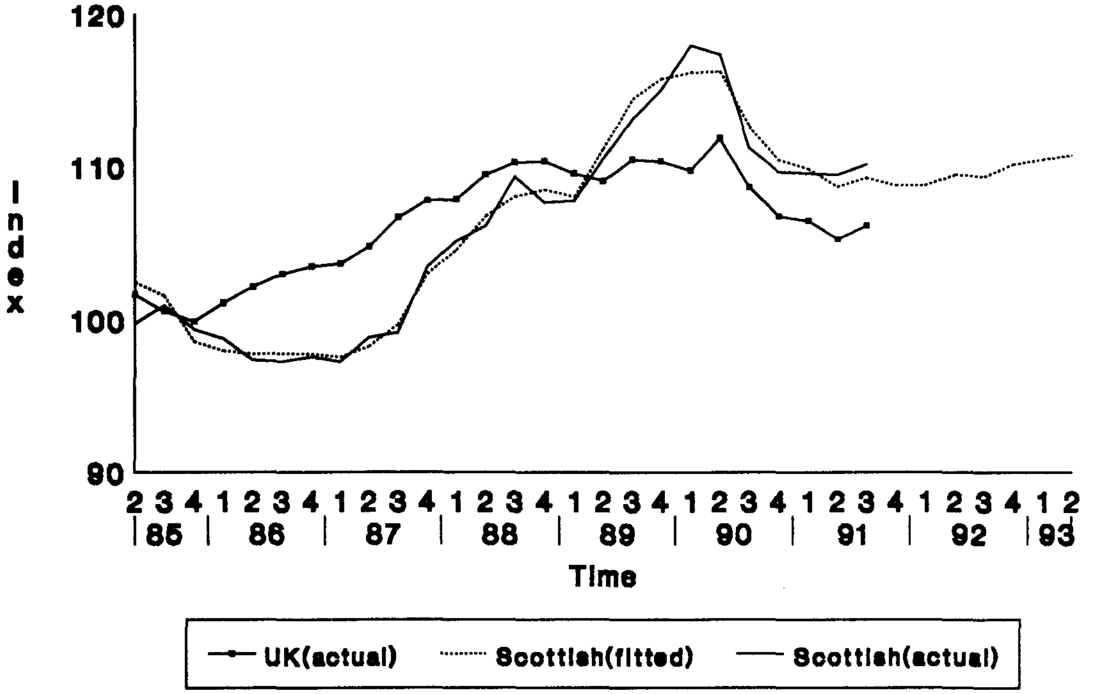
Figure 1 shows movements in the actual output index and in the index as predicted by the model over the period of 1985 Q2 to 1991 Q3, and also shows forecasts for the period 1991 Q4 to 1993 Q2. Further details of the actual and projected indices are shown in Table 1. It is clear from Figure 1 that the model tracks the movement of the actual index reasonably well.

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

	Actual	FAI Model
1988	107.1	107.0
1989	111.7	112.4
1990	114.1	113.9
1991	-	109.2
1992	-	109.5
1990 Q2	117.4	116.3
Q3	111.3	112.7
Q4	109.7	110.5
1991 Q1	109.6	109.9
Q2	109.5	108.7
Q3	110.2	109.3
Forecast		
Q4	-	108.8
1992 Q1	-	108.8
Q2	-	109.5
Q3	-	109.4
Q4	-	110.2
1993 Q1	-	110.5
Q2	-	110.8
%Change		
1990/89	2.1	1.3
1991/90	-	-4.1
1992/91	-	0.2
90Q4/89Q4	-4.8	-4.5
91Q4/90Q4	-	-1.5
92Q4/91Q4	-	1.2
93Q2/92Q2	-	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.

Figure 1. Output Indices for Prod. Indu.
Seasonally adjusted (1985 = 100)



Although the Scottish output index made an up-turn in the third quarter last year, it is predicted to dip again in the fourth quarter last year and then level off in the first quarter this year. The output of the production industries during the whole 1991 is forecasted to be down by 4.1%. This is followed by a weak recovery of 0.2% in 1992, as compared with a 0.6% recovery suggested in the last forecast. However, towards the end of 1992, the recovery in the Scottish production industries is predicted to gather momentum.

BUSINESS SURVEYS

The Scottish Chambers' Business Survey (SCBS) is the largest regular survey of the Scottish economy. It is carried out by the Fraser of Allander Institute in association with the Scottish Chambers of Commerce. Over 4000 manufacturing, construction, distribution, tourism and leisure and financial firms are surveyed quarterly.

Business Confidence

In Manufacturing the balance of optimism deteriorated in the fourth quarter with a net balance of 2% of respondents reporting that they were more optimistic than three months previously. In the third quarter of 1991, a net balance of 12% of respondents had reported that they were more optimistic than they had been in the preceding quarter. A net balance of 20% of Manufacturing respondents were less optimistic than they were in the same period a year ago. This represented a relative deterioration of 3 percentage points on the figure for the third quarter. The balance of optimism in Manufacturing therefore deteriorated in the fourth quarter for the first time since the fourth quarter 1990.

In Construction, confidence also deteriorated, with a balance of 8% of respondents reporting that they were less optimistic than in the preceding quarter. In the third quarter returns, a balance of 3% of construction respondents reported that they were *more* optimistic than three months earlier. A net balance of 27% of respondents reported that they were less optimistic than they were a year ago, a deterioration of 2 percentage points on the response in the third quarter.

In Retailing and Wholesaling the balance of optimism concerning the general business situation has also deteriorated. In Retailing, a net balance of 2% of respondents were more optimistic than the previous quarter, compared with a net positive balance of 18% in the third quarter, while in Wholesaling a net balance of 4% of firms were *less* optimistic, compared with a positive balance of 9% in the previous quarter. The general upward trend of rising optimism which was present in both sectors since the beginning of 1991 appeared to have reversed in the final quarter of last year.

A significant balance (24%) of Tourism and Leisure respondents were more optimistic than they were in the third quarter but this figure still represented a 3 percentage point fall on the balance of firms reporting increased optimism in the previous survey. On the other hand, a net balance of 5% of respondents were more optimistic than they were a year ago compared with the positive balance of 7% recorded in the third quarter survey.

Orders and Sales

Orders and sales continue to contract or remain static across all principal sectors. In Manufacturing, the balance reporting a decline in total orders and sales decreased slightly from 12% (orders) and 13% (sales) in the previous quarter to 10% and 7%, respectively, in the fourth quarter. Demand from the domestic Scottish market appeared to experience a relative deterioration, while export demand improved appreciably.

In Construction, orders continue to decline at much the same rate as in the third quarter. However, the significant rate of decline in Central Government orders recorded in the third quarter appeared to slackened somewhat in the fourth quarter.

The upward trend in retail sales reported in previous quarters ceased in the fourth quarter, with the number reporting an increase in sales exactly balanced by those reporting a decrease. In the third quarter a net balance of 14% of Retail respondents reported an increase in sales. In Wholesaling, the negative trend in sales reported in the third quarter continued into the fourth quarter with 7% of respondents reporting a decrease compared with 6% in the earlier period.

In Tourism and Leisure there was a slight deterioration in demand with the number reporting an increase exactly balanced by those reporting a decrease. In the third quarter a small net balance of 1% of respondents reported an increase in demand.

Stock Adjustments

Stocks of both finished goods and raw materials in Manufacturing continued to be run down with net balances of 17% and 25%, respectively, reporting a decline. This represented an acceleration in the rate of decline compared with the situation in the third quarter when the balances reporting a decline were 15% and 18% respectively.

Finance and Investment

In the Financial sector there was a slackening in the positive trend in personal advances (a net balance of 34% compared with 47%) while the balance reporting an increase in advances to the corporate sector rose to 26% from 18% in the third quarter. The fourth quarter saw a slight increase in the growth of demand for working capital. The demand for finance for investment in buildings, and plant and equipment continued to decline; for buildings the rate of decline appeared to rise slightly while for plant and equipment the rate of decline moderated somewhat. These data are supported by the returns from the individual sectors on investment intentions. In both Manufacturing and Construction the rate of decline in investment intentions in plant and equipment moderated somewhat, while that for buildings worsened. Where investment occurred it was largely for improvements in efficiency (Manufacturing) or for replacement purposes (Construction).

Expectations

Third quarter expectations for the fourth quarter 1991 were generally not fulfilled. In almost all sectors the actual performance on orders and sales in the fourth quarter was appreciably less than expected by respondents in the third quarter. In recent previous quarters expectations have largely been fulfilled in key sectors in subsequent quarters. Failure to realise third quarter expectations probably accounts for the deterioration in business confidence in the fourth quarter.

Expectations for the first quarter 1992 are for improvements in demand to occur in Manufacturing, Retailing and Wholesaling. In Manufacturing, a balance of 6% and 2%, respectively, of respondents expect orders and sales to rise. In Retailing and Wholesaling, a net balance of 2% of respondents in both sectors expect demand to increase in the first quarter. However, in Construction, a net balance of 20% of respondents expect orders to fall but this must be compared with the balance of 28% of Construction respondents who experienced a contraction in orders during the fourth quarter. In Tourism and Leisure, a net balance of 10% of respondents expect demand to fall in the first quarter.

Chambers of Commerce Areas

Aberdeen continued to be the most buoyant area followed by Dundee. Fife again continued to perform well in terms of Retail sales, while Manufacturing performance continued to be relatively strong in the Dundee area. Central exhibited the best performance in Wholesaling but in Manufacturing orders and sales, and Tourism the Central Chamber area experienced the worst performance. Edinburgh remained one of the weaker areas.

PRIMARY

AGRICULTURE AND FORESTRY

Recent issues of this Commentary have discussed the plans proposed in the summer of 1991 to reform the financial arrangements of the Common Agricultural Policy (CAP) of the Community. At the beginning of March, the most recent attempts to secure agreement to some version of these plans broke down, and it is difficult to predict what the outcome for CAP support will be for the next year.

The UK government position does not support the proposals to reduce support prices for most categories of farm output, and to redirect EC price and income support away from large scale farming to small scale farming. However, from the point of view of Scottish agriculture, such a shift in support would be by no means entirely harmful. A recent study by economists from the Scottish Agricultural College, Aberdeen, estimates that livestock farmers in Scotland would suffer from the proposals by a much lower amount than has been thought hitherto. Nevertheless, the proposed support changes would have major redistributive effects between different categories of farm in Scotland, and the many large farming units would suffer severe income reductions.

A general point can be made here. Agriculture is one of the few sectors of the British economy that has not been subjected to an increasing control by free market forces in the past decade. The EC CAP has created a situation in which prices, for most farm output for most of the time, are in excess of the levels at which free market forces would establish them (at least in the short and medium term periods). Given price guarantees, excess production is perpetuated, and the adjustment to lower production that would result from collapsing prices is suspended.

If efficiency of production were the only objective of government policy, a rational commentator would find it very difficult to support the CAP price support programmes. But clearly efficiency is not the only objective of policymakers, and there are at least two other important objectives of agricultural regulation. The first is support for rural activity in areas of Europe which do not have diversified industrial activity, or where it is thought desirable in itself to maintain traditional patterns of employment and economic activity. A second, and more recent, objective is to encourage environmentally sound farming practices. The problem faced by governments within the EC is in weighing the benefits of pursuing these goals in terms of the efficiency losses they can imply.

A third justification for intervention in farming has, for many years, been to stabilise activity and income levels in agriculture. Unlike manufacturing and services, incomes from primary activities can be highly volatile in unregulated markets. In January of this year, the latest figures on Scottish farm incomes were published. A brief study of these figures makes for some interesting reading.

Estimated farming income in Scotland in 1991 is down by 17 per cent on the previous year, at £112 million, the level attained in the "poor" year of 1988. But although total farm income shows a surplus, this is entirely due (in the aggregate) to financial subsidies to Scottish (and other national) farming groups.

Sheep farming in Scotland is particularly dependent upon subsidies. Of the £218 million value of sheep production in 1991, £131 million is made up of subsidy payments of various forms. As a result, the value of subsidy exceeds the value of real output, and in the absence of that subsidy, the average hill farmer would record a loss of more than £7,000 in 1991/92, instead of an income of £10,940 (which is 18% higher than in the previous year).

But whereas sheep farming has become more lucrative in money terms (because of higher subsidy payments primarily), other sectors of farming in Scotland have shown lower recorded incomes in 1991, regardless of support systems or subsidy. Average farm incomes for sectors of Scottish farming for 1991 are as follows (with percentage changes since the previous year in parentheses):

Hill/Upland Sheep	£10,940	(+18%)
Hill/Upland Cattle	£7,655	(-9%)
Upland/some cropping	£14,745	(-13%)
Lowground cattle/sheep	£6,121	(-38%)
Cropping	£7,995	(-48%)
Dairy	£18,068	(-18%)

These figures, and the subsidy payments that lay behind them, make disturbing reading in so far as they paint a picture of a sector, responsible for a significant component of Scottish economic activity, that is unable to operate in the absence of substantial and continuous state support.

FISHING

In mid February, the Scottish Office released information concerning the value and weight of fish landings into Scotland for the year 1991. The main items of this information are presented in Table 1.

The nominal value of total fish landed by UK vessels is estimated to be £264 million, one per cent less than for 1990 (but about six per cent less in real terms relative to the general movement in prices). Landings by weight were six per cent lower than in 1990, but a rise in nominal prices at about the overall rate of inflation for the year maintained the value of landings at a nearly unchanged level.

Of the three main categories of fish - demersal, pelagic and shellfish - only shellfish were landed in higher weight terms. Demersal species were landed in lower volumes, with cod and haddock showing falls of 9 and 7 per cent respectively. The fall in the value of haddock landings (down by £6.2 million to £49.9 million) appears to have been primarily the result of tighter fishing quotas.

Pelagic species (mainly herring and mackerel) fell in value and volume terms, with a fairly large (15 per cent) drop in particular in weight of mackerel landings. As is common with shellfish species, and as a glance at Table 1 will confirm, there was considerable variation during the year in the quantities of difference species of shellfish landed. However, with heavier landings of the two main shellfish species (brown crabs and Norway Lobsters) the overall weight of landings for the group increased.

Unlike many categories of manufactured goods and services, prices of individual fish species (in terms of prices at landing) can and do exhibit substantial variation over different seasons. Figure 1 shows, for example, very substantial falls in the average prices of both haddock and whiting between March and December of 1991.

In December, the fishing quotas and fishing restriction arrangements for 1992 were agreed with the European Community. Total allowable catches are generally reduced on the West coast; the cod quota falls from 8,300 to 6,900 tonnes, haddock from 12,200 to 10,000 tonnes, and whiting from 5,500 to 4,800 tonnes. In the North Sea, the picture is more mixed; the cod quota is cut by 600 tonnes, whiting is cut from 34,400 to 31,300 tonnes, but haddock is increased by 5,500 tonnes to 42,600. The British pelagic fleet faces reduced pressure, with an extra 8,000 tonnes of mackerel being added to the 1991 quota.

The other main form of fishing restriction concerns the numbers of days upon which fishing is to be allowed. The controversial "8-day" tie-up rule is replaced by an arrangement under which boats must remain in harbour for a minimum of 135 days per year. However, for boat crews who are prepared to increase the size of meshing in the nets used, the number of tied-up days is reduced. Those owners who increase mesh size from the standard 100mm to 120mm will face no minimum days of tie-up restriction.

No decommissioning scheme has yet been agreed, although this is being pushed for very strongly by the Scottish Fishermen's Federation, which also seeks financial compensation for lost revenue resulting from restrictions imposed on fishing activity.

Fish farming in Scotland continues to have a very uncertain future. To the surprise of may commentators, output of salmon from farms in Scotland rose by 25 per cent to 40,600 tonnes during 1991. However, it is expected that output will not rise any further in 1992, and may show a small percentage fall. Prices continue to be low, although the very large falls experienced in early 1991 were pegged with price and quantity restrictions being imposed within the EC on Norway salmon. Meanwhile, Marine harvest, which produces one quarter of Scottish salmon, is to be sold by its parent company, Unilever. That company's restructuring plans are leading it to divest itself of nearly all its agri-business operations.

CONSTRUCTION

The latest index of construction figures for the third quarter of 1991 show that Scotland stands at 110.7; up 3.0% on the preceding quarter and up 2.0% when comparing the latest four quarters on the preceding four quarters. This compares with a figure of 118.6 for the UK as a whole which fell 1.7% from the second quarter and was down 7.0% when comparing the latest and previous four quarter periods.

Even a cursory quarterly analysis highlights the differing pattern of this sector in Scotland when compared with the UK as a whole. The UK has experienced a much smoother output curve than that experienced in Scotland. The UK has risen almost consistently since 1986, peaking in the first quarter of 1990, from which point it has continually declined. Closer analysis shows that (the UK) whilst continuing to decline is doing so at a decreasing rate. This can be seen as a precursor to bottoming out of the current slump. Scotland has experienced a much bumpier ride, but at present is closing the gap on the UK.

The Department of Environment's summary of contracts obtained by contractors in the building industry for the third quarter 1991 in Scotland exhibited an 18.5% fall, to £431m from the second quarter figure of £529m. The third quarter of 1991 was down 10% on the same period in the previous year.

The fall in new orders is evenly spread across both the public and private sectors in Scotland, with the only high point being in the miscellaneous private commercial sector (agriculture, air, colleges, communications, health, roads, schools and miscellaneous). This sector showed an increase of some 273%, from £26m in the second quarter to £97m in the third quarter. However, this highlights the difficulty of analysing new order data due to its "lumpy" nature.

For Great Britain as a whole the third quarter figure of £4,804m was down 11.9% from the second quarter figure of £5,455m for all new work. The public sector remained flat for GB as a whole, the private sector bore the brunt of the decrease and was down 15.9% (new housing down 7.4% and industrial and commercial new orders down 19.9%).

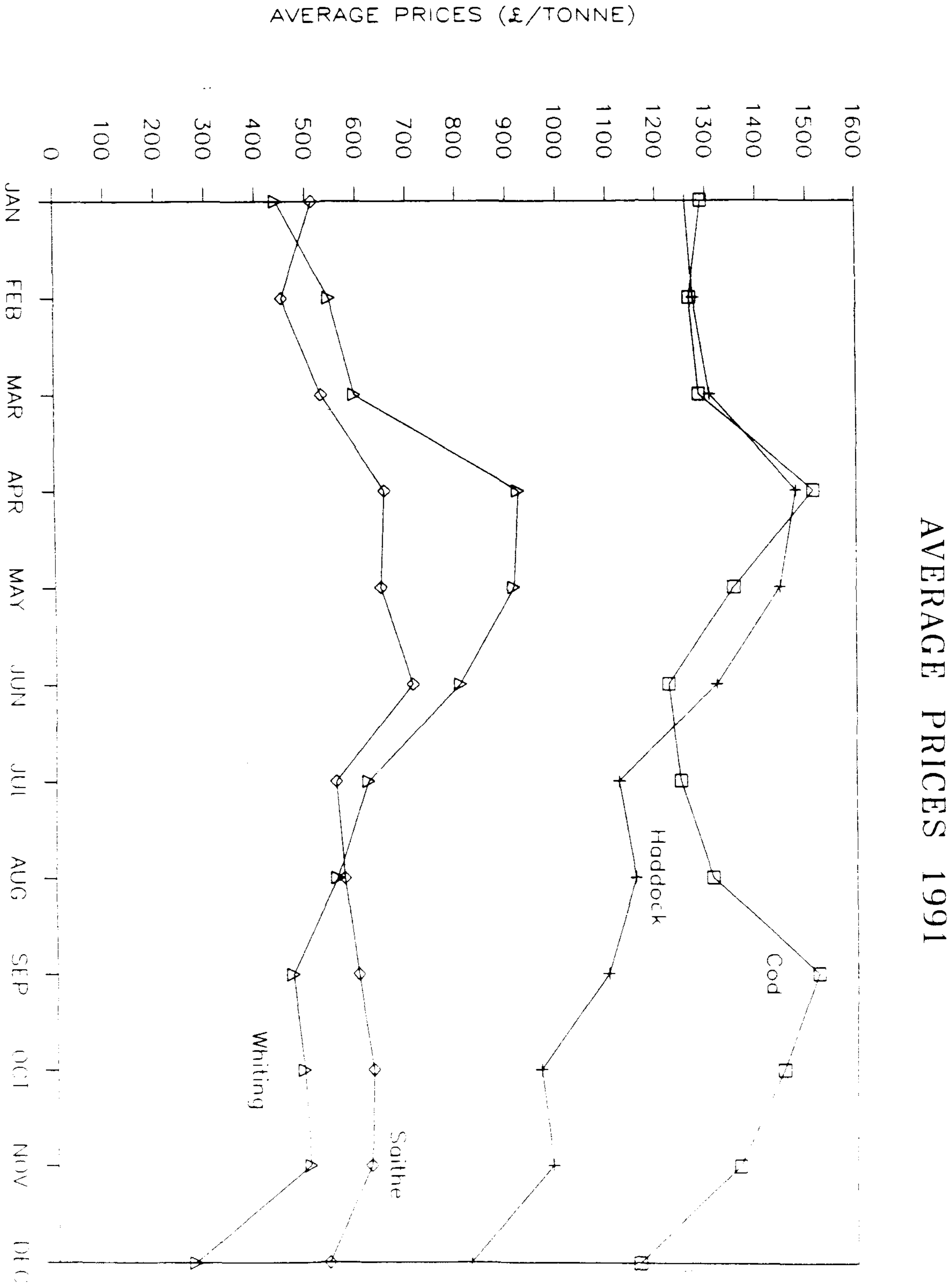
The latest Scottish Chambers' Business Survey (SCBS) for the fourth quarter of 1991 shows a deterioration in construction optimism, from a balance of +3% in the third quarter to a balance of -8%. The trend in new

TABLE 1 FISH LANDINGS IN SCOTLAND: JANUARY TO DECEMBER 1991 - COMPARED WITH JANUARY TO DECEMBER 1990

Landings by UK vessels	JAN TO DEC 1991			91 PER CENT OF 90		
	Weight Tonnes	Value £000s	Price £/T	Weight %	Value %	Price %
Demersal	171,262	179,063	1,046	96	100	105
Pelagic	214,447	24,877	116	90	88	98
Shellfish	43,677	60,505	1,385	108	99	92
Cod	32,587	43,181	1,325	91	98	107
Haddock	43,204	49,882	1,155	93	89	96
Whiting	32,841	18,147	553	112	87	78
Saithe	11,310	6,524	577	112	141	126
Dover Sole	44	145	3,295	88	82	94
Hake	1,990	3,469	1,743	115	106	92
Lemon Sole	3,120	5,504	1,764	112	116	104
Ling	2,916	2,563	879	102	104	101
Megrims	2,554	3,987	1,561	104	117	113
Monks	8,812	21,464	2,436	99	113	114
Plaice	7,760	8,924	1,150	120	164	136
Skate	3,469	2,186	630	100	98	98
Sandeels	8,323	394	47	49	51	105
Dogfish Spur	6,211	5,605	902	112	115	102
Witches	2,030	2,576	1,269	93	115	124
Mackerel	117,928	15,034	127	85	89	104
Herring	87,704	9,226	105	94	84	89
Brown Crabs	4,893	4,665	953	113	142	126
Green Crabs	319	157	492	96	105	110
Velvet Crabs	1,658	3,1187	1,922	98	104	106
Lobsters	545	4,941	9,066	70	74	107
Prink Shrimps	54	51	944	15	13	89
Squid	878	948	1,080	61	60	98
Scallops	3,883	6,872	1,770	92	94	102
Norway Lobsters	18,010	35,303	1,960	106	100	94
Queen Scallops	4,940	1,845	373	97	107	111
Periwinkles	2,041	1,164	570	135	147	109
Total by UK vessels	429,386	264,445	616	94	99	105
Landings by foreign vessels	17,216	6,350	369	122	200	164
Total landings in Scotland	446,602	270,795	606	95	100	106

Source: Scottish Office Information Directorate, 12.02.1992

FIGURE 1


AVERAGE PRICES 1991
AVERAGE PRICES (£/TONNE)
0
100
200
300
400
500
600
700
800
900
1000
1100
1200
1300
1400
1500
1600
JAN
FEB
MAR
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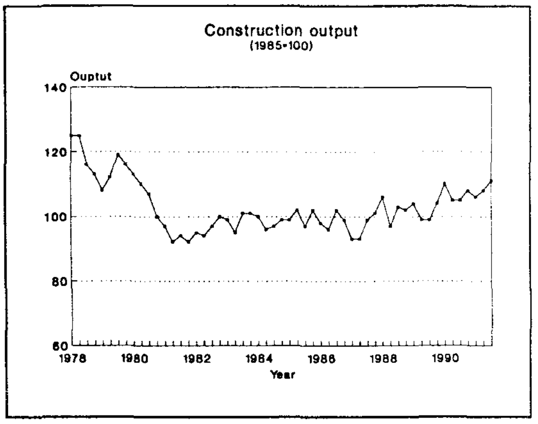
orders from all sources remained negative with government orders displaying the most depressed trends. This decline is expected to continue through out the first quarter 1992.



Construction respondents are working at an average 76% of full capacity. A net 32% of respondents are on average utilising less capacity than they were in the fourth quarter 1990. The trend in work in progress declined for a net 30% of respondents and a net of 30% expect this to continue to decline in the first quarter 1992. For 92% of respondents the main limit to output was a lack of orders.

The trends in investment intentions was down for over a quarter of respondents, with the main motivation for any occurring investment being for replacement.

Respondents reported a decline in total employment in the fourth quarter 1991, which they expect to continue in the first quarter 1992. Forty per cent of respondents attempted to recruit during the fourth quarter and 12% of those experienced increased difficulty in the attempted recruitment of skilled manual, professional and managerial and clerical staff. Of the 18% of construction workers increasing wages during the final quarter of 1991, the average increase was 6.2% which is lower than the third quarter average of 6.8%.

According to the Nationwide building society, house prices fell in Scotland by 0.1% in the fourth quarter of 1991 after three consecutive quarterly increases. The strongest element of a quieter market in Scotland was new properties which rose in price, on average, by 1.2%. On an annual basis, house prices rose by 6% in 1991 compared with a fall of nearly 4% in 1990. Annual price rises were most marked for older/first time buyer properties.

The NHBC figures for housing completions in Scotland show that there was a decline of 2.9% in the fourth quarter 1991 to 3,400. This was however up 6.2% on the fourth quarter 1990. The total for GB as a whole was down 7.1% in the fourth quarter 1991 to 36,400 which was down 6.7% on the same period in the previous year.

The figures for housing starts in Scotland for the fourth quarter 1991 fell by 3.2% to 3,000 from the previous quarter, but this is an increase of 25% on the same quarter in 1990. The corresponding GB position shows a fall of 16.6% to 28,800 which is up 7% on the fourth quarter 1990. This is indicative of a relative improvement in Scotland's position and suggests that the Scottish housing market is improving and that perhaps, the end of the slump is at hand.

The Building Employers Confederation (BEC) stated that competition for work means around half of building contracts won recently were either loss making or showed a zero margin. The BEC warned that construction output in the UK was expected to fall by about 5% this year to the lowest level since 1986, and was likely to lead to the loss of a further 50,000 jobs.

British brick manufacturers last year sold £3.1 billion bricks, the lowest annual deliveries since records started in 1968. Recently published figures from the DoE show that the number of unsold bricks at the end of last year stood at a record 1.4 billion equivalent to more than half a year's sales.

The latest National Economic Development Council's construction industry joint forecasting committee's construction forecasts state that UK construction output for 1991 is likely to be 9.5% lower than in 1990. A lean year is expected in 1992, although the rate of decline is expected to slow to about half that of 1991. The NEDC stated that while their summer forecasts had stressed the adverse effects of high interest rates on investment intentions, the dominant theme of the latest forecasts was the impact on the industry of lack of confidence. This lack of confidence is seen as hampering an upturn in investment in construction of factories and warehouses.

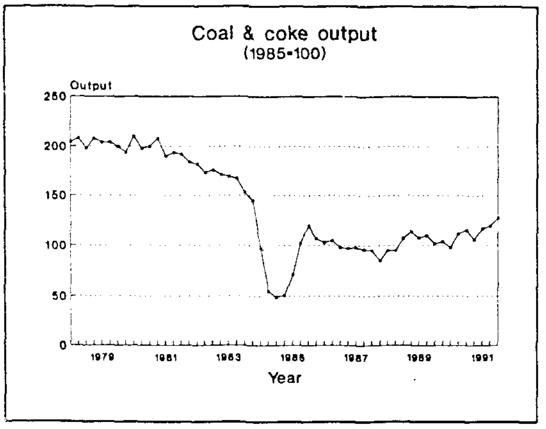
Summing up the evidence, it would appear that the Scottish construction sector is indeed turning up whilst the UK as a whole is still continuing to decline. Scotland's recession is (as predicted in previous Commentaries) less severe and shorter than that experienced in the rest of the UK.

ENERGY

OIL AND GAS

The Royal Bank/Radio Scotland index for December was 122.4, representing average production of 2.02 mbpd. This was only the third month in 1991 in which oil output from the UKCS was over 2 mbpd. The main reason for the growth in the index was a very large increase in output from the Brent field, partially offset by declines in other fields including Fulmar, Forties, Ninian, North Brae and Statfjord. However, although oil output increased in December, oil prices weakened (see below) and as a result the daily value of North Sea production fell to £20.3 million, 14% lower than in November.

It was suggested in the last Commentary that OPEC production at 23.65 mbpd (its then agreed ceiling) during the fourth quarter might exceed the call on OPEC output and lead to downward pressure on prices. In fact, OPEC production went as high as 24.3 mbpd during the winter, and the price of Brent reference crude fell from $22 pb in November to around $18 pb at the end of January.



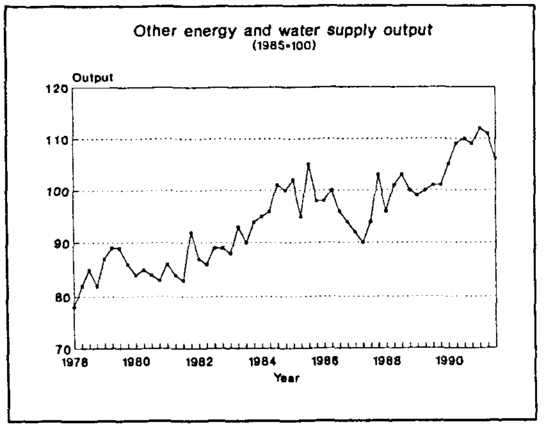
Following voluntary member production cuts of around 400,000 bpd in January, the February meeting of OPEC agreed to a new ceiling on cartel output of 22.9 mbpd, with a "target" crude price of around $20 pb. In fact, most industry analysts believe that production at the new ceiling would only stabilise prices at about $18 pb. Additionally, it seems likely that actual OPEC output will (yet again) exceed its own ceiling: for example, Saudi Arabia has already indicated that it will produce at least 100,000 bpd more than its new quota of 7.88 mbpd.

Within the overall OPEC production ceiling, Iraq has been given a quota of 0.5 mbpd (for domestic use) and Kuwait a quota of 0.8 mbpd. However, Iraq has indicated that it presently can produce 2 mbpd and Kuwait expects an output level of 1.5 mbpd by the end of this year. On the lifting of UN sanctions, the only way in which these volumes can be accommodated without provoking a price crash is for other cartel members to accept significant cuts in their existing quotas. It is undoubtedly going to be very difficult to reach agreement on this.

In a recent report, County Natwest WoodMac estimate that spending on North Sea oil and gas projects rose by £2 billion to £5 billion in 1991. There was an increase in real activity but also an increase in development and operating costs of 10-20%. The latter is a cause of some concern, since rising costs in combination with low crude prices could lead to the postponement or abandonment of a number of North Sea projects.

COAL, ELECTRICITY AND NUCLEAR POWER

Scottish Nuclear (SN) has negotiated a set of contracts with British Nuclear Fuels (BNFL), worth £2.7 billion. However SN intend to store their spent fuel, instead of having it reprocessed by BNFL at Sellafield, Cumbria. The storage operation should save SN £40m a year, with initial costs of the two proposed stores being £15m each.



A report by the Coalfield Communities Campaign (CCC) argues that up to 15 coal-fired power stations and at least 22 pits could close. This is their conclusion if the recent applications to build 30 gas-fired power stations are allowed to go through. They add that under current electricity demand the UK's North Sea gas reserves will be exhausted in 25 years.

However, approval has been given, by the government, to link the UK's gas pipeline grid to the rest of Europe as well as the welcoming of a deal between National Power (NP) and Statoil, Norway's state oil company will supply gas for two NP power stations. In principle this could give the UK access to cheap Russian gas. The Commonwealth of Independent States already provides Europe with gas.

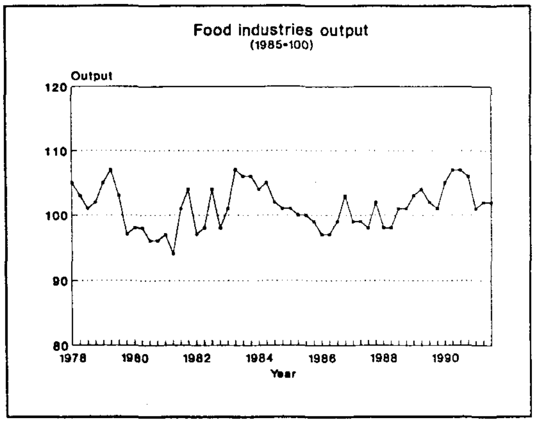
British Coal's commercial director resigned shortly after arguing that British Coal must be more pro-active, otherwise the British coal industry could find itself substantially slimmed down.

The proposal to build a dock at Immingham to handle, amongst other bulk goods, coal has been cancelled. However, National Power have other coal importation projects at Hull and Bristol in hand.

MANUFACTURING

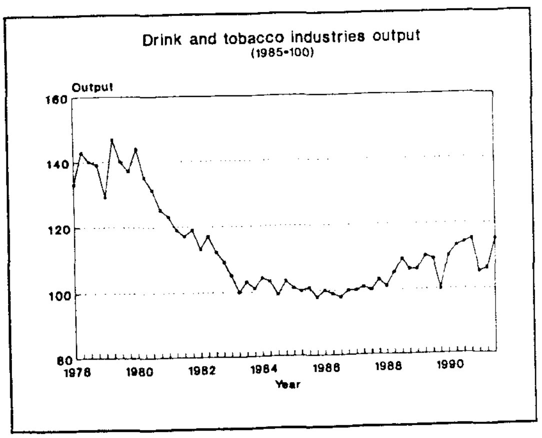
FOOD, DRINK AND TOBACCO

The value of output produced by the food industry was unchanged between the second and third quarters of last year for the second quarter in succession. While this can hardly be viewed as a major development, the flat trend is actually encouraging, given that it follows three successive periods of falling output. The Index of Production now stands at 102 (1985 = 100) and the industry's performance in Scotland closely reflects that found across the UK, where output was also unchanged between the second and third quarters. Over the course of the year, output in Scotland declined by 2%.



In Drink and Tobacco, the value of output rose by 8% over the quarter, despite a fall of 25% in the output of whisky. Given this fall in whisky production (which makes the percentage change in non-whisky considerably larger), the fact that such a rise was not observed across the UK (where output fell by 1%) and the strength of the current recession, it would seem wise to interpret this figure with some caution. An examination of quarterly changes in output in Scotland since 1986 shows no evidence of a seasonal rise of this magnitude.

The Scottish Chambers' Business Survey results for food, drink and tobacco as a whole also show a fairly static picture. While 20% of respondents to the January survey were more optimistic about the general business situation than in the previous quarter, 20% were less so and 60% felt that conditions were unchanged. Roughly half had seen no change in new orders in the period to January while 25% had seen an increase. However, another 25% reported a decrease, and a similar division of responses was apparent with regard to investment intentions. However, two-thirds of respondents felt that a lack of orders was likely to be the major factor constraining increases in output in the sort term, an indication of the fragile state of confidence in the industry.

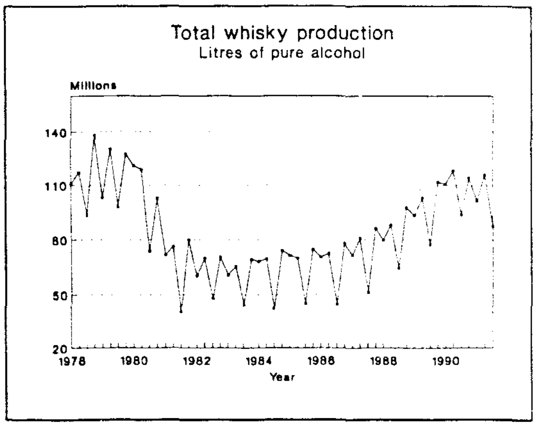


In the company sector, the troubled Stakis group is attempting to negotiate an extension of its current standstill agreement on its estimated £192 million debt. The current agreement ends this month, but the group's bankers are expected to be sympathetic in view of the restructuring programme currently underway. Stakis recently sold its pub and restaurant interests to Scottish and Newcastle, but intends to hold onto its other interests in hotels, casinos and health care. The company made a loss of £47m last year, following several years of growth in profits.

Finally, McIntosh of Dyce, the chilled food manufacturer has been purchased from the John Rhind Farm Group in a £4m management buy-out. The company currently employs 300 people and has an estimated turnover of £12m.

WHISKY

Total whisky exports fell by volume in 1991 for the third successive year. A decline of 4.4% was recorded over the 1990 figure, with total exports for the year standing at 227.7 million litres of pure alcohol (LPA). Bottled-in-Scotland blends fell only 1.7% by volume after a strong recovery in the second half of the year (BIS exports in the first half of the year were 8% down on the equivalent period in 1990). Under the circumstances this was a more than reasonable performance from the mainstay part of the industry, and was reflected in a 9% rise in the value of BIS export earnings. Interestingly, the decline in export volumes has now hit even bottled malt whisky, the spectacular growth area of the 1980s. In 1991 exports of bottled-in-Scotland malts fell by 7.6% to 8.1 million LPA, the first annual decline for almost twenty years.



Shipments to the EC actually rose slightly by volume last year, illustrating the importance of this market to the industry. Small wonder then that the Scotch Whisky Association and major firms in the industry have been consistently vociferous in fighting Scotch whisky's corner in the run-up to the single European market, especially over the issue of the harmonisation of excise taxes. The matter is still unresolved, but the SWA (and indeed the British government) will be hard pushed to defeat the political clout of the EC wine lobby in ensuring more favourable treatment for wine than for spirits in the new 'open' regime.

Meanwhile, production of whisky continues to show some slight sign of moderating in the face of reductions in both home and overseas demand. Total production in the third quarter of last year was 87.4 million LPA, 6.7% less than in the corresponding period in 1990. In a complete reverse from the previous quarter, the decline was totally accounted for by malt whisky production, which fell by 23% to 33.2 million LPA; by comparison, production of grain whisky rose by 7.2% in comparison with the third quarter of 1990.

The industry now finds itself in something of a dilemma, not all the elements of which are within its own control. One of the issues is how far to cut back production as export volumes fall. There is the possibility of some recovery in exports as, for example, the important US market moves out of recession during the course of this year - the same applies to the home market. On the other hand, both US and UK sales have been in secular decline for years, and it would be unwise to put too much faith in either of these markets. Falling export volumes are not a major problem as long as the export margins remain as healthy as has been the case of late - but it is unclear for how long this will remain the case. To return to the theme of the single European market, it would be supremely ironic if the industry, having achieved notable successes in having discriminatory taxation reduced in Japan and other far eastern markets, should find its future thrown into question by the ossification of excise taxes in what will effectively be the home market in a few short months.

MECHANICAL ENGINEERING

The current signs of recovery in Scottish Mechanical Engineering are mixed according to the latest Index of Production and Construction and Scottish Chambers Business Survey (SCBS).

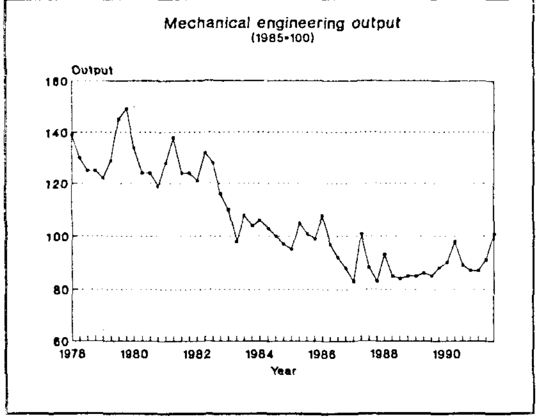
The index, from the Scottish Office, shows growth of 1% over the year to 1991:3 and 11% over the quarter. This looks spectacular when compared to the corresponding figures for the U.K. which show falls of 9% and 1% respectively

The latest SCBS for 1991:3 records a quarterly rise the balance of optimism of 8.1% but a fall of 15.9% compared with 1990:3. Overall new orders fell in a net 2.6% of firms and sales rose in a net 1.4%. New orders and sales fell in Scotland for a net 10% of firms and a net 29.4% and 30.5% of firms also recorded falls in the U.K. market. Only the export market showed positive balances of 7.7% and 1.9%. In 1992:1 the recovery in the export and the decline in the U.K. markets is expected to continue by about 10% of the sample. Scottish sales are expected to rise by a net 1.3% of respondents.

Capacity utilisation for 1991:3 was down on the same time in 1990 for a net 25.4% and stood at 76.0%. Investment in plant and equipment fell in a net 5.8% of cases and by 14.7% for land and buildings. A net 36.2% cited increasing efficiency and 29.7 replacement as the most likely reasons for expanding investment. 83.9% of the sample said that investment was being hampered by the failure of orders and sales to recover.

On the employment front, total employment fell in a net 9.5% of firms. Employment in all categories other than temporary fell. Male, part time and sub-contracted employment fell in net 9.6%, 8.2% and 8.0% of firms. Temporary employment rose in a net 5.3%. In 1992:1, increases in all employment is expected, with male and self employment showing the greatest rejuvenation.

Wages and salaries rose by 5.9% in 22.1% of firms and overtime fell in a net 13.2%. Firms' provisions for training is expected to rise in a net 25.3% of cases and a net 17.6% did not attempt to recruit staff in the third quarter. Difficulties in recruiting staff were not apparent in 1991:3. Labour shortages eased in professional, clerical and non skilled manual occupations and a net 92.9% of respondents had no difficulty in retaining their workforce.



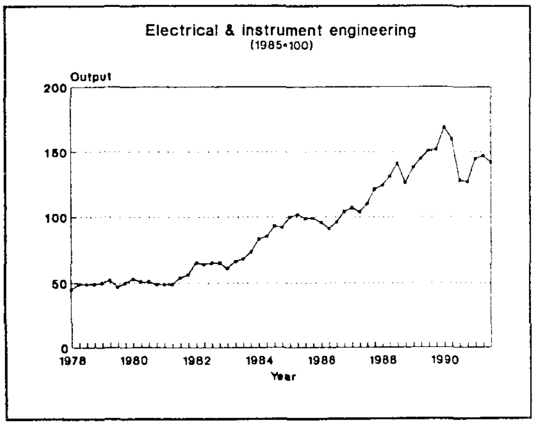
Rolls-Royce have announced that they plan to axe 330 jobs at its Hillington plant which makes components such as engine rings & seals and turbine blades. John Ferrie, the Scottish Director, remarked last May that reductions in the workforce of over and above 6000 could not be ruled out in the coming two years. It is hoped that these latest competitive layoffs will be achieved by voluntary means.

Weir Pumps of Glasgow have bought Peabody Floway of California for £12.3 million. This is their fifteenth acquisition in five years and is the result of Weirs setting their sights on the specialist market. This latest move will boost their workforce to over 6000. New orders for the first half of 1991 hit a record £279 million despite the sharp slowdown in the rest of the industry.

Clyde Blowers, the makers of boiler valves and soot blowing equipment, have been taken over by Jim McColl who acquired a 29.9% stake. Last year the company made pre-tax profits of £254,000 on a turnover of £4.3 million. Mr McColl plans to expand the company and improve performance with further acquisitions.

ELECTRONICS

The value of output produced by the electronics industry in Scotland fell by a further 3% between the second and third quarters of last year and the Index of Production now stands at 142 (1985 = 100). Although it has been difficult to discern any obvious trend in the recent behaviour of the index, the industry's growth pattern now seems to have levelled off compared to that observed between 1981-90 (see graph), and the fall in the value of output noted above makes it seem unlikely that growth will be resumed in the short-term. Indeed, as argued in the last issue of this Commentary it is uncertain whether the order of growth seen during the 1980s will be able to be repeated over the next few years given the current structure of the industry in Scotland, particularly its increasing orientation towards data processing equipment (see Quarterly Economic Commentary, December 1991, pp 20-21). The fall in output value in Scotland mirrors that in the UK as a whole, where output fell by 2% between the second and third quarters. However, the drop in production in Scotland is much more severe over the year to the third quarter, with output down by 9%, compared to a fall of only 4% in the UK.

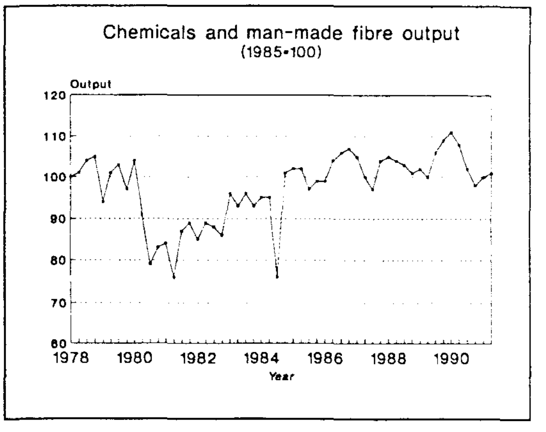


The Scottish Chambers' Business Survey (SCBS) results for January show a more up to date picture than that available from the Index of Production, and further confirm the currently sombre state of the industry. A probable drop in output at the end of last year is shown by the fact that 42% of respondents reported that stocks of final goods had fallen in the three months preceding the survey, while 45% of companies saw a fall in raw materials. Additionally, 39% saw sales fall during the reporting period, while 35% reported a drop in new orders. Most disturbingly, however, 77% of respondents felt that a lack of orders was the factor most likely to be a constraint on production in the short term.

However, one potentially very significant long term development has occurred in the company sector with the announcement by Digital that it is to produce a new generation of semi-conductors at its South Queensferry plant. Digital clearly have very high hopes for the new device, termed alpha chips, and expect it to set a new, world-wide industry standard for use in advanced, complex products such as workstations. The announcement clearly represents a potentially very significant development by Digital, who invested £200m in setting up the South Queensferry plant three years ago. Indeed, should the device take off as expected, it brings the promise of growth throughout the semi-conductor industry which would be good news for the other companies who have manufacturing facilities in Scotland.

CHEMICALS AND MAN-MADE FIBRES

The inability of the Chemicals industry to produce a significant boost to output is shown again, and not for the first time, in the Index of Production and Construction. In 1991:3 output in the Scottish chemical industry fell by 4%, compared with a rise of 3% in the United Kingdom as a whole. On a year on year basis, output north of the border fell by 7% whereas the total U.K. decline only amounted to a fall of 1%.



More up to date figures can be obtained from the latest edition of the Scottish Chambers Business Survey. Here again, we have a gloomy picture. In 1991:3 the net balance of optimism was 7.1% compared with 6.4% in the previous quarter, a mild improvement. When asked to compare 1991:4 with 1990:4 the net balance of optimism was -28.5%.

New orders and sales fell in all markets in the third quarter. The U.K market attracted the greatest blame for this decline with net balances of 23.5% and 15.0% respectively recording a declining trend. The prospects for 1992:1 are broadly similar. All markets are expected to improve, with the U.K. and Export markets attracting the most optimism.

Capacity utilisation was registered at 73.8% and is considered to have fallen over the year to 1991:3 by a net balance of 14.8% of respondents. Investment in plant and equipment did not change in 1991:3 but is expected to rise in 1992:1 by a net 10.9% of firms. Net balances of 50% and 16.7% of firms reported that increasing efficiency and extending capacity are the main reasons behind investment. A net 92.7% of firms explained that the pitiful performance in new orders and sales is to blame for limitations on the scope for new investment.

The trend in employment over the third quarter was distinctly downwards. Employment of male, female and sub-contracted workers declined in the third quarter for net balances of 3.9%, 3.8% and 8.4%. Net balances of 4% and 11.1% of firms recorded falls in full time, part time and temporary employment. In 1992:1, sub-contracted and self employment is expected to rise by net balances of 8.3% and 12.5% respectively while male, full time and temporary employment are expected to fall by nets of 15.4%, 8% and 5.6%.

Wages and salaries rose by 6.6% in 21.4% of firms, compared with a rise of 6.4% in 28.1% of firms in 1991:2. Recruitment fell in a net 7.2% of firms in 1991:3 and 32.1% of respondents expect to increase their training provisions in 1992:1. Recruitment difficulties were only experienced for professional and managerial posts. A net balance of 38.4% of firms reported that they had no difficulties in recruiting. Unsurprisingly a net 92.8% did not experience any problems in keeping their workforce.

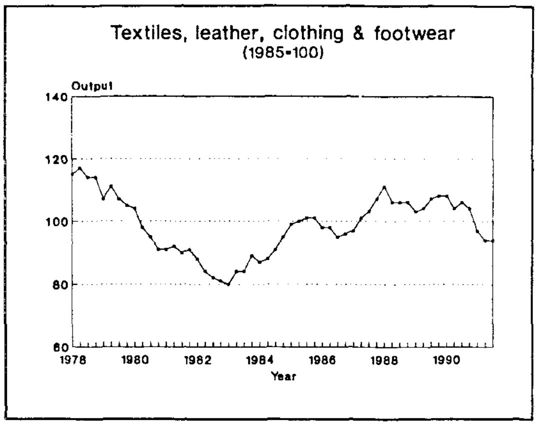
The problems currently being encountered by the chemicals industries are two-fold. On the one hand, the decline in demand resulting from the end of the gulf war and continuing global recession has exposed the misguided perception that capacity should be increased with every upturn in profits. On the other hand, environmental awareness has produced a willingness by government to legislate against polluters, and the subsequent costs to the industry are augmenting the effects of the recession.

The European Commission's latest environmental drive is threatening the British chemical industry with a possible £440 million clean up bill. A reported 250 EC proposals include the taxation of energy and carbon dioxide which the Chemical Industries Association claims could raise oil prices by more than 50% over the next decade. The aim of the carbon tax, which could bring in Ecu48bn in revenue, is to stimulate the use of 'alternative' sources of energy such as water, wind and solar power.

The problem has been compounded in a further two ways. Firstly, industries have tried to specialise using the rationale that they would be "resistant to cost cutting efforts because they represent a small part of the total cost base". Unfortunately this logic has failed as the recession has reduced the demand at both ends of the productive process. Secondly, governments have increased the stringency of licensing tests in the hope that this will slow the growth in new products. The subsequent rise in Research and Development costs has further eroded the industry's performance.

TEXTILES, LEATHER, CLOTHING AND FOOTWEAR

The Index of Production for this sector showed a slight (1%) increase between the second and third quarters of last year and this is welcome news, despite the small size of the change since it follows three successive quarters of reduced output. Over the year to the third quarter, the Index of Production fell by 9%, indicating just how severely the recession has hit the industry. It is also interesting to note that the Scottish industries reputation for quality, high fashion goods seems to have afforded it little protection from recession, given that the UK Index of Production fell by a similar amount (8%) in the year to the third quarter.



In addition, the results of the December Scottish Chambers' Business Survey (SCBS) also gives some indication that industry performance may be beginning to improve, with 30% of respondents reporting an increase in new orders in the previous three months, while 37% reported an increase in sales. Also, while 60% reported no plans to increase investment, 24% of respondents did expect to do so, a rise from the previous figure. However, despite these welcome indicators of improvements in trading, there still appears little prospect of a major increase in output and/or employment, given that 79% of firms continue to cite lack of orders as the factor most likely to constrain growth in the short term.

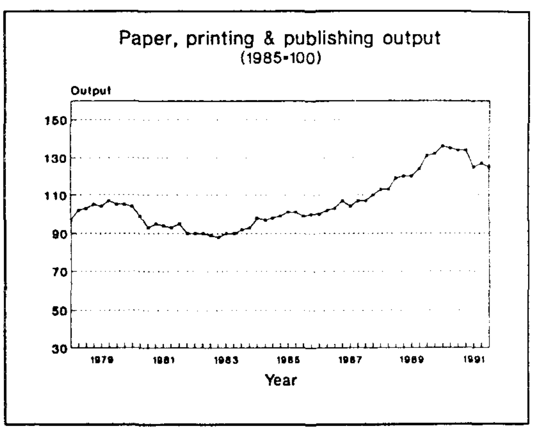
There has been some concern amongst Borders manufacturers regarding a new EC textile initiative called RETEX, which is intended to help regions heavily dependent on textiles to restructure, by providing funding for diversification and retraining initiatives. The scheme, which will be worth £350m and is projected to operate from 1993-96, will not apply to the Borders because it currently lacks development area status. Local political and industry representatives are currently lobbying government in an effort to have the Borders redesignated, pointing to the jobs lost in the Borders over the course of the current recession. These are estimated by the Transport and General Workers' Union to be around 5,000. In the absence of redesignation, the bulk of the money is expected to be distributed between Spain, Portugal and the former East Germany.

Finally, the Slumberdown bedding company which went into receivership at the end of last year has been bought by the Irish company Goldcrop. The 100 jobs at its Hawick factory have been secured for the immediate future and, indeed, the new owners hope to increase employment to around 100 during the course of this year.

PAPER, PRINTING & PUBLISHING

The latest Index of Production and Construction, which refers to the third quarter of 1991, indicated a 1% decline in production the Paper, Printing and Publishing Sector since the second quarter of 1991. Since the third quarter of 1990 output has declined by 5%.

Evidence from the latest Scottish Chambers Business Survey suggests a decline in business optimism in the forth quarter of 1991 from a net balance of +11% to a balance of -6%. Total new orders declined for a net of 5% of firms, less than the previous Survey, and a net of 7% expect total new orders to continue to decline. Total sales declined for a net of 2% of firms compared to 26% in the previous Survey. Total employment declined for a balance of 4% of firms and a net of 20% expect employment to decline in the first quarter of 1992. 30% of respondents that attempted to recruit in the fourth quarter experienced difficulties in recruiting suitable employees.



The Lothian based paper manufacturer, Inveresk, paid off debts of over £25 million 14 months after a management buy-out. To replace these facilities the firm has signed a £20 million committed revolving credit facility. The company has invested £6 million in upgrading its plants since the buy-out and plans to invest a further £7 million this year.

SERVICES

FINANCIAL SECTOR

No matter how hard one tries regulation returns to the agenda once more. The collapse of the second and third Guinness trials reveals the difficulties inherent in regulating and supervising the financial sector. Leaving aside the inherent unfairness of a Government Agency, the SFO, with considerable (even if, as many commentators have claimed, second rate) resources taking on one man with strictly limited resources, it is apparent that change is necessary. There has been no shortage of suggestions. Trials without juries, plea bargaining, civil cases with a reduced burden of proof, improvements in the resources available to the SFO have all been suggested but perhaps these suggestions are inherently misplaced. The heart of the second Guinness trial appeared to be the legality of share support operations and associated practices. Was the company in effect acting to buy its own shares? It is clear that such practices have been widespread. Indeed, the Government (although not the company) supported the new BT shares for a month after their issue, and no one appeared to complain. Would it not, perhaps, be more appropriate to recognise that the law in such areas may be difficult to interpret, is certainly difficult and expensive to enforce and at the end of the day achieve little? A great deal of evidence now exists, particularly in the US, of regulatory avoidance. Regulations spawn attempts at avoidance. Court cases may block one avenue (at great cost) but they simply encourage other more devious attempts to circumvent the rules. The rewards for the clever can be very large. It is inevitable that considerable ingenuity will go into devising schemes that accomplish what is required. It is perhaps time that we recognise this before we commit more resources to an impossible task.

This is not of course to suggest that the frauds of Barlow Clowes and others should go unpunished. Rather it is to suggest that in a world of limited resources it would be better to put the resources into fraud prevention than into massive trials of what, to the outsider at least, appear to be common practices involving difficult to interpret sections of Company Law. Our requirement should be to insist that information on all such schemes should be made public before they take place. What is objectionable is that some shareholders, not privy to what is going on, lose out. Requiring information to be made public as early as possible, at least puts all participants on a level playing field, and has the merit of being easy to monitor.

In his sentencing, the judge in the Blue Arrow case noted that the defendants had not tried to conceal their actions from their employers, the Bank of England or the registrars. It would make sense to extend the rules so that all such actions had to be reported immediately to the Stock Exchange for public dissemination. Access to information was clearly an important issue as far as the judge was concerned and it is time that we recognised this in our legislation. The Blue Arrow and recent Guinness trials have exposed the futility and expense of much of our present regulatory system. Let us recognise this and think not in terms of even more complex legislation or reforms of the judicial system for this particular type of crime alone, but of what we are trying to achieve and how best these objectives can be met. Two areas are paramount, more effort in the prevention of fraud, part of which may involve the education of the public to be less gullible and greedy (how did people believe that Barlow Clowes could invest in gilts and yet consistently offer higher returns?), and more information disclosure. As the DTI payments to Barlow Clowes (£150m), the estimated costs of Blue Arrow and Guinness reveal, a great deal of resources are involved. Do we really want to spend them as we have been doing?

Other aspects of the regulatory system also continue to give concern. Claims about current Lloyds practices have an all too familiar ring (although, once more, information disclosure, particularly about the profits of syndicates, would do much to dispel some of the allegations) whilst the SIB's Retail Review confirms the need for further changes in the system. Putting aside the sensible criticisms of the need for consumer driven financial services protection rather than the current producer driven system, the substantial decline in FIMBRA, membership down from 9300 to 6700 members, suggests that the emphasis of the current system cannot be correct. Of course, the recession and vetting of members would have led to some decline in the independent sector in any event, but the suspicion must be that the current arrangements greatly favour the large company with its tied agents over independents offering a choice of products and with some attempt at identifying the best products for their customers. Can anyone reasonably argue that in the majority of cases the consumer is better served by a tied agent than by an independent offering relatively impartial advice with clients protected by a compensation scheme?

These questions are given added interest with the current interest in devolution and independence. The importance of the financial sector in Scotland suggests that the system of regulation is not of mere academic interest. With a large part of their market in England the Scottish institutions must be concerned about any arrangements that might be devised for Scotland. It is idle to speculate on the exact structures and agreements that would need to be reached, but it is clear that important issues of regulation would need to be addressed. It isn't only higher taxes that might drive institutions South to new domiciles!

Scottish Financial Enterprise's second briefing paper on devolution* provides some interesting insights into the views of managers in many of the large institutions. The overwhelming feeling that came across to this reader was cautious pessimism. On balance it was felt that the changes were unlikely to work to the financial sector's advantage. Given the dependence of the financial sector on expectations and confidence this is perhaps not surprising. Any substantive event might well have similar effects. One couldn't help wondering, however, how the position would have looked if Scotland had been predominantly Tory and England, Socialist. There was a feeling that the views were often driven by short term considerations such as taxes and not by the long term competitive position. Do we have any reason to believe that established financial companies in the UK suffer because their parent company is Dutch, Canadian, Australian or any other nationality? This is not a criticism of the survey which gives us an interesting insight into management's views at this moment of time, but it is to suggest that considerably more long term analysis by the companies themselves might be useful.

Besides regulation, the trials and tribulations of the banking and housing finance sector continue to be of concern. The small number of indigenous Building Societies domiciled in Scotland as well as the reduced impact of the recession have largely shielded the housing finance sector in Scotland but the banks show clear signs of distress. The decision of the Royal Bank to possibly look for a partner for its merchant banking subsidiary Charterhouse indicates a significant policy shift away from becoming a large scale financial conglomerate able to offer an extensive set of services to a wide range of clients, to a more consumer based banking group. The fear always with such shifts in policy is that they are essentially short term in their horizons. Conventional wisdom might suggest that the depths of the recession is exactly the time to be investing in corporate banking ready for the next upturn. The cyclical nature of takeover activity (and hence advisers' fees) is well documented and suggests that the disposal of Charterhouse now may reduce the bank's options when the upturn comes. The Royal Bank is a large long term player in the UK market. Retrenchment and cost cutting in a time of recession may well be necessary and desirable. Disposal of an important corporate service after less than seven years may not be so wise. Let us hope that at the very least if a sale goes through the bank examines carefully once more the decision to buy in 1985 and audit the claims, benefits and costs its own staff and advisers made at the time. How many promotions arose from the purchase? Where are the same people now? The bank is a financial institution important for the long term well being of the country. Let us see some recognition of this and lessons learned for the future.

Singling out the Royal Bank is somewhat unfair. The other banks have had their fair share of troubles. Despite good performance in Scotland, the TSB has had a disastrous year with massive losses in the corporate sector whilst the Clydesdale has been making considerable efforts to cut its costs with substantial reorganisation in its management structures. As the recession continues it is too much to hope that such reorganisations are a feature of the past. Further cost cutting seems inevitable.

The slow but inevitable power of fundamental economic forces has been well illustrated in this quarter by the announcement by Murray Johnstone of cuts in unit trust charges. Until 1979 unit trust charges were controlled by the DTI with a maximum total charge over the life of a trust. Decontrol of charges and the introduction of competition, far from reducing charges, led to charges more than doubling. Some of these increased costs reflect regulatory expenses (although falls in stock trading commission and purchase costs should have offset some of these charges) but it is difficult to believe that the major part of the increase was not due to marketing costs and charging what the market would bear. The actions of Murray Johnstone in cutting some of its fees (although it is also increasing annual fees on 3 of its funds) suggest that at least competitive pressures, particularly the ease of constructing unit trusts, are forcing charges down to more realistic levels. They have a long way to go before they are even back to the levels of 1979.

* Professor Andrew Bain, *Devolution II*, SFE Edinburgh.

DISTRIBUTIVE TRADES

According to the February Scottish Chambers Business Survey (SCBS), a net majority (7.1%) of Scottish wholesalers experienced a negative year-on-year sales trend in the last quarter of 1991, which was contrary to the predictions made three months earlier. Reflecting this outcome, there was an overall decline in wholesaler optimism concerning the business environment. On balance, wholesalers expected the trend in sales volume in Q1 1992 to be essentially flat.

As in Q3 1991, a balance (4.7%) of SCBS wholesalers reported declines in total employment in the fourth quarter. Reductions were recorded in both male and female full-time, part-time and temporary jobs. A further net fall in total employment was predicted for Q1 1992. 23% of wholesalers had increased wages and salaries the fourth quarter by an average 6.0%, compared with 7.4% reported in Q3 returns.

The geographical pattern of wholesaler responses in Q3 1991 and Q4 1991, in terms of the balance of business optimism, is shown in Table 1.

In contrast to wholesalers, on balance SCBS retailers were more optimistic in the fourth quarter than they had been three months earlier, albeit by a very small margin. The year-on-year trend in retail sales was essentially static in Q4 1991 and was expected to remain so in Q1 1992.

As in Q3, net reductions in total employment in the fourth quarter were reported by a significant balance (12.7%) of SCBS retailers. Job losses were noted in all identified employment categories. A balance of respondents predicted a further fall in employment in Q1 1992. Only 16% of retailers increased wages and salaries in the fourth quarter, by an average 6.6% (compared with a reported average rise of 8.1% in Q3).

TABLE 1 WHOLESALER OPTIMISM

Chamber Area	Net % more optimistic Q4 1991	Q3 1991
Fife	-16.7	+33.4*
Central	+25.0*	+44.0*
Edinburgh	0.0	+53.4
Aberdeen	+5.2	-2.3
Glasgow	-11.0	+5.0
Dundee	0.0	-4.8

* based on less than 10 responses

The geographical pattern of changes in net retailer optimism by Chamber area in Q3 and Q4 1991 is shown in Table 2.

TABLE 2 RETAILER OPTIMISM

Chamber Area	Net % more optimistic Q4 1991	Q3 1991
Fife	+16.6	+57.1*
Central	+13.3	+7.7*
Edinburgh	+12.0	+10.0
Aberdeen	-6.0	+7.0
Glasgow	+5.9	+48.3
Dundee	-1.4	+10.6

* based on less than 10 responses

TRANSPORT

In the rail transport sector, the white paper on the privatisation of British Rail is now unlikely to come out until after the general election. In this they will seek to privatise large sectors of British Rail. Meanwhile BR have been asked by The Secretary of State to "respond positively and sympathetically to any reasonable proposal from the private sector".

The Channel Tunnel completion date has been delayed till September 1993. BR will seek compensation for the delay in the opening from Eurotunnel.

Scottish Enterprise has commissioned a study concerning the possible economic and environmental impact of a "Forth port". The likely sites being considered are at Rosyth or Dunbar.

With the Scandinavian countries joining the EEC, through EFTA, the Scottish ports have an opportunity to attract business from England and Wales, as the Scottish ports are the best suited to serve Scandinavia.

A major innovation of a roll on/roll off ferry service from Dundee to Emshaven in The Netherlands has been propounded. Market research is being undertaken to assess the level of demand, and hence the financial prospects of the scheme.

The closure of Ravenscraig is a major blow to the Clyde Port Authority. Due to one third (£4.4 million) of the CPA's revenue being steel-related business.

The Scottish Partnership in Electronics for Effective Distribution (SPEED) has been hived off from Scottish Enterprise to become a free standing trade association. This business transport lobby group will be chaired by George Younger. The group has already been responsible for the extension of freight services directly to and from Scotland through Prestwick Airport.

The consortium, Ayrshire Community Airport Project (ACAP), also headed by George Younger, announced their intention to take over the commercial side of operations at Prestwick Airport.

In general, there is a lot more interest in transport issues being shown by Scottish industry. This could be due to a realisation that a European market is upon us and therefore Scotland needs the transport links to effectively take part in this market. However Scottish industry needs to show more than just interest in these links from Scotland. A commitment to using and/or investing in these services is needed to get them started and make them viable propositions.

HEALTH

Government spending plans for 1992-93 include £3.72 billion on health, an 8.5% rise on last year. The Foresterhill hospital complex, soon to become a hospital trust, appears to have been rewarded for its initiative in this respect by a capital allocation of £9.2 million for 1992-93, 90% of its bid for funds, and representing a 60% increase in capital allocation, compared with the Grampian region's 25% increase.

Continuing controversy surrounds the government's determination to bring the maximum time on waiting lists down to two years by April, in line with Patient Charter commitments. There are reports of surgical consultants working overtime, of some contracts being placed with the private sector and, even more worrying, the substitution of allegedly less urgent cases still on the plus two-year lists for those patients waiting less than two years and thus not being relevant for this particular target. A whole battery of targets was recently announced by the Scottish Health Minister, with the guarantee that virtually everyone waiting for treatment will obtain admission within 18 months. These targets vary by type of operation and by Health Board, thus showing some degree of flexibility. Targetry does smack of gimmickry, seemingly being used as more of a managerial control mechanism than a serious effort to consider the costs and benefits of alternative resource uses. What is so "magic" about 18 months, for example? Why not 17 or 14 or whatever? Labour's immediate reaction was just as target-oriented: Mr Sam Galbraith being reported as saying the targets were "particularly unambitious".

Both Labour and the Liberal Democrats have outlined their plans for health. The key feature of both is the abandonment of much of the Conservative approach. Out would go contractually-based markets, hospital trusts, and budget-holding GPs. Labour would substitute performance agreements between the Department of Health and health authorities (boards in Scotland, presumably), linked to incentive funding for good performance and visitations from the NHS management executive to underperforming authorities. The Liberal Democrats would have a system of service agreements between health authorities and provider units, and GPs would retain the right to refer patients where they chose. The management executive would be abolished, to be replaced by a health service council and a National Inspectorate for Health. Both parties pledge to end what they deem to be the "underfunding" of the health services, although with the exception of the removal of tax relief on health insurance for the elderly, they are decidedly coy on the amounts and timing of the additional funding. Both parties are determined to bring back various forms of community involvement into the running of the health service.

Both parties also promise to be concerned as much with the outcomes and effectiveness of health care as its costs. And both pay considerable lip service to primary care, the needs of the elderly and the mentally ill, and the promotion of health. Delivery of these laudable objectives in the face of the demand placed on the system by health sector personnel pointing to the parties' commitment to "full" funding would be interesting to observe in the event of their election.

The dental service was also in the news. Two and a half million Scots have not registered with dentists under the 1990 contract between the government and the dentists. This may be something to do with the sort of charges currently made for dental services, including check-ups. Charges for the latter and for eye tests are likely candidates for abolition should the Tories lose the election. Meanwhile, amidst claims that some dentists would go out of business, the Department of Health suspended a fees cut that had been proposed for 1992/93 to counter alleged overpayments in 1991/92.

The result of the election is awaited with interest sine a clear choice is being offered between a contract-driven market-type health service, albeit largely publicly funded, and a more planned system of the sort to which we have become accustomed over 40 years. The outcome is clearly crucial to the future shape of the Scottish health system.

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 September 1991, and those are also reported in Tables 1 and 2. Overall, total employees in employment fell by 25,000 (1.3%) in the year to September 1991. Male employees in employment fell by 29,000 (2.8%), and total female employment increased by 4,000 (0.4%). Part-time female employment rose by 12,000 (3.0%), whereas full-time female employment actually fell by 8,000 (1.5%). If part-time is interpreted as "one-third time", then full time equivalent employment fell by about 33,000, a much bigger fall than was registered in the year to June 1991 (19,000). The number of employees in employment in production and construction fell by 37,000 over the year to September 1991, but numbers employed in services increased by some 14,000, a pattern consistent with the increase in female employment.

Over the year to September 1991 the biggest employment gains were registered by: education, health etc (24,000) and public admin. etc. (5,000). Construction again registered the biggest employment losses (16,000), but employment also fell in manufacturing (by 22,000).

Vacancies: Stocks and Flows

Over the year to January 1992 unfilled vacancies at job centres in Scotland fluctuated between 15.6 (15.6) and 23.9 (21.8) thousands on a seasonally adjusted (unadjusted) basis (Table 3). Vacancies fell by 1.2 thousands from 19.1 to 17.9 thousands over the year to January 1992 on a seasonally adjusted basis. Against the background of other evidence it seems likely that this reflects a downturn in labour demand. However, vacancies did increase slightly in January. 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 January 1992 inflows of 19.7 thousand were less than outflows. During 1991 there were a total of over 214,000 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 that year. In contrast unemployment continued to rise in the UK as a whole. However, unemployment then increased in each of the 3 months up to and including January of this year.

Over the year to January 1992 total unemployment rose by about 29.3 thousand, from a low of 201.5 thousand or 1.2 full percentage points. This represents a major increase in the level of unemployment of 14.5 per cent. In fact the aggregate figures reflect an increase in female unemployment of 3.6 thousand, and an increase of 25.7 thousand in male unemployment.

Table 6 presents recent flows into and out of the unemployment stock. In January 1992 inflows were, at 34.2 thousand, about 2.9 thousand more than in the same month of 1991. Outflows were, at 20.6 thousand, 0.2 thousand less than in January 1991. If gross outflows were maintained at their January 1992 level unemployment stocks could turnover in just over 10 months.

BUSINESS SURVEY EVIDENCE

Results from the Scottish Chambers' of Commerce Business Survey provide some evidence as to the impact of the economic recession on the operation of the Scottish labour market.

The results in Table 7 indicate that most sectors experienced a downward trend in total employment levels in 1991. Whereas manufacturing, construction, retail and finance had negative trends in employment throughout 1991, employment levels in the wholesale sector appeared to negative much later. The tourism and leisure sector was not able to overcome the effects of the declining numbers of both overseas visitors, nor the decline in local demand. The net balances of responses for the fourth quarter indicate that the slight slowing down of the rate in decline in employment levels noted in the third quarter, was not sustained. There are little signs of any growth in the demand for labour.

Further indications as to the slackness in demand in the labour market is afforded by Table 8 which indicates the declining percentage of firms seeking to recruit labour. Whereas the percentages recruiting in wholesale, retail, finance and tourism and leisure remained relatively unchanged, the percentages recruiting in manufacturing and construction fell considerably. A problem with the results in Table 8 is that we are unclear as to whether the recruitment activity is replacement or expansion. However, in the light of the evidence in Table 7 it would suggest that much of the activity is replacement, or adjustment to seasonal demand. As such Table 8 provides a broad impression as to the differing rates of labour turnover between sectors. The differences accord with other evidence of lower rates of turnover in the finance sector and relatively higher rates of turnover in retail and tourism and leisure sectors.

Further evidence as to the declining demand for labour and increasing slackness in the labour market is provided in Table 9. Most sectors reported a decline in 1991 in the difficulties they experienced in recruiting suitable staff. Interestingly, the ease by which the finance sector is able to meet recruitment needs, in comparison to other sectors, is an indication of the willingness/wish of labour to enter the finance sector in preference to other sectors.

Table 10 indicates, in general terms, the difficulties firms have experienced in recruiting and retaining particular occupations. Despite the general slackening in demand more than a third of all sectors, apart from finance, regularly have reported difficulties in recruiting suitable staff for particular occupations. The continuation of difficulties at such a high percentage in a recession provides some indication as to the underlying levels of skill shortages in the Scottish economy.

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 impactof both the 1989 census and the 1990 LFS.)

SIC 1980		MALE	FEMALE		TOTAL	Prod. & Const.	Production	Manufacturing	Services
			All	P/T		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]
	June	[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	562	443	383	1,368
	Sep	1,011	947	418	1,958	560	443	383	1,370

Source: Department of Employment Gazette

TABLE 2 EMPLOYMENT: SCOTLAND EMPLOYEES IN EMPLOYMENT (000's)*

SIC 1980		Agric./ forestry/ fishing 0	Energy & Water 1	Metal Man. & chemicals 2	Metal goods, Eng. & vehicles 3	Other Man. 4	Const. 5	W'sale dist, hotels & catering 61-63 66-67	Retail Dist. 64/65	T'sport & Comm. 7	Banking, insurance & finance 8	Public admin. & defence 91-92	Education, health & other services 93-99
1979		48	72	82	258	265	155	197	194	135	123	170	403
1989	June	29[29]	57[58]	46[47]	165[166]	[202]	130[125]	207[197]	193[188]	113[116]	176[174]	176[187]	474[469]
	Sep	30[30]	57[59]	45[48]	166[168]	191[207]	134[124]	213[198]	193[189]	111[116]	182[176]	173[187]	472[477]
	Dec	28[28]	59[60]	46[49]	167[169]	190[206]	134[122]	206[191]	197[193]	111[116]	184[177]	172[189]	480[487]
1990	Mar	28[28]	60[61]	46[49]	166[168]	185[203]	134[121]	204[187]	191[187]	109[117]	186[179]	169[190]	477[488]
	June	30[30]	60[61]	44[47]	166[170]	188[207]	133[120]	216[198]	193[189]	109[115]	187[180]	172[195]	477[488]
	Sep	30[30]	60[63]	44[47]	169[172]	191[212]	132[120]	222[204]	192[188]	110[115]	189[182]	179[204]	465[481]
	Dec	27	61	44	169	189	129	214	198	108	184	181	476
1991	Mar	28	61	43	165	181	123	211	193	106	189	181	476
	Jun	29	60	42	161	180	120	217	191	107	187	183	482
	Sep	29	60	42	161	180	116	220	188	108	182	184	489

* 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 ('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
Nov	17.4	0.1	0.6	18.2	0.6
Dec	17.3	-0.1	0.5	15.9	0.4
1992 Jan	17.9	0.6	0.2	14.4	0.5

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
Nov	19.7	0.1	19.8	-0.1	16.1	-0.1
Dec	21.2	0.2	20.6	0.1	17.3	0.2
1992 Jan	19.7	-1.2	20.4	-0.7	17.1	-0.5

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	225.8	-1.8	2.8	9.1
Oct	170.8	54.7	225.5	-0.3	1.8	9.1
Nov	172.3	54.4	226.7	1.2	1.2	9.1
Dec	173.6	54.3	227.9	1.2	0.9	9.2
1992 Jan	176.0	54.8	230.8	2.9	0.7	9.3

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
Nov	34.8	32.1
Dec	32.5	26.9
1992 Jan	34.2	20.6

Source: Department of Employment

TABLE 7 TRENDS IN TOTAL EMPLOYMENT [NET BALANCES OF RESPONSES]				
SECTOR	1/91	2/91	3/91	4/91
Manufacturing	-20	-16	-12	-17
Construction	-33	-39	-26	-33
Wholesale Distribution	+ 3	+ 2	- 2	- 5
Retail Distribution	-19	-27	-15	-13
Finance	-22	-27	-31	-29
Tourism and Leisure	-12	-29	- 5	-14

TABLE 8 PERCENTAGES RECRUITING STAFF				
SECTOR	1/91	2/91	3/91	4/91
Manufacturing	43%	54%	48%	42%
Construction	52%	40%	41%	40%
Wholesale Distribution	49%	33%	33%	42%
Retail Distribution	38%	47%	47%	46%
Finance	31%	27%	27%	27%
Tourism and Leisure	52%	75%	71%	54%

TABLE 9 PERCENTAGES REPORTING INCREASING RECRUITMENT DIFFICULTIES				
SECTOR	1/91	2/91	3/91	4/91
Manufacturing	16%	12%	15%	13%
Construction	10%	17%	14%	12%
Wholesale Distribution	18%	16%	10%	11%
Retail Distribution	18%	9%	12%	10%
Finance	1%	0%	1%	0%
Tourism and Leisure	24%	22%	30%	18%

TABLE 10 PERCENTAGES REPORTING PARTICULAR RECRUITMENT PROBLEMS FOR SPECIFIC OCCUPATIONS				
SECTOR	1/91	2/91	3/91	4/91
Manufacturing	48%	45%	46%	42%
Construction	49%	42%	43%	32%
Wholesale Distribution	38%	44%	36%	33%
Retail Distribution	38%	39%	30%	32%
Finance	2%	5%	3%	7%
Tourism and Leisure	53%	68%	59%	50%

REGIONAL REVIEW

INTRODUCTION

In January, Scottish unemployment increased by 12,585 to stand at 241,351 on an unadjusted basis. This represents 9.7% of the workforce and constitutes a monthly increase of 5.5% compared with the December total of 228,766. Scottish unemployment began to rise in November 1990 and increased steadily to stand at 230,160 in August 1991. Unemployment fell in September and October last year and by further than would have been expected due to seasonal influences. However, this fall has proved a temporary respite and Scottish unemployment began to rise again in November and December but at a slower rate than in the UK. In January, the recorded rise of 5.5% compares unfavourably with a British increase of 4.8%.

Figure 1 sets out the seasonally adjusted employment for Scotland, Great Britain and 3 constructed regions. The South of England is defined as London, the South East, South West and East Anglia. Midlands and Wales encompasses the East and West Midlands plus Wales whilst the North of England comprises Yorkshire and Humberside, the North West and the Northern Region. These definitions likewise apply to the data set out in Table 2-4.

Examination of Figure 1 highlights the impact of the present recession upon UK regional labour markets. The seasonally adjusted series has been recently revised. the new data indicates that British unemployment began to rise in April 1990. Unemployment started to increase in the South of England in February 1990 before the rest of Britain. The Midlands and Wales experienced a turning point in April at the same point as UK. In the North of England, unemployment commenced its rise in July 1990 whilst unemployment in Scotland continued to fall until October. Thus, the present recession impacted initially upon the over expanded and highly geared South but has subsequently spread Northwards.

In addition to experiencing earlier incidence of rising unemployment, the severity of the recession in labour market terms is greater the further south one looks. Taking January 1990 as our base, the following picture emerges:

Unemployment in the South of England is currently 2¼ times the level of January 1990 whilst GB unemployment is circa 1⅔ times as high. Thus far, Scotland has escaped relatively lightly with unemployment 1.1 times January 1990 levels.

As a result of this disparity in regional performance, the

	Jan 90	Jan 91	Jan 92
South of England	100.0	141.2	225.0
Midlands & Wales	100.0	115.9	164.0
North of England	100.0	108.1	133.5
Scotland	100.0	96.9	111.0
GB	100.0	118.3	164.9

unemployment rate differential has narrowed considerably between the North and the South. Figure 2 sets out regional unemployment rates as a proportion of the GB rate for the period January 1989-92. A considerable narrowing of the relative unemployment rates is evident from the beginning of 1990. The data are as follows:

	Jan 90	Jan 91	Jan 92
South of England	67.3	80.0	92.2
Midlands & Wales	103.6	101.5	103.3
North of England	138.2	126.2	112.2
Scotland	152.7	124.6	103.3
GB	100.0	100.0	100.0

In January 1990, the unemployment rate in the South of England was circa two-thirds the GB rate but 92.2% in January 1991. In both Scotland and the North of England, the unemployment relative declined markedly over this period. The relative position o Scotland improved more dramatically than for the rest of the North. In January 1990, the Scottish unemployment rate was 1.52 times that of GB. This had fallen close to parity by January 1992. Clearly,the present recession has markedly altered the geography of UK regional unemployment.

Data for employment is less timeously available and is subject to ongoing and considerable revision. The most recent estimates available are for September 1991. To establish the broad pattern of regional employment change, we index employment at a December 1989 = 100 base and compare the situation with that at September 1991. The results are as follows:

	SIC 0-1	SIC 2-4	SIC 5	SIC 6-8	SIC 9	SIC 0-9
South of England	104.2	93.0	88.2	94.9	97.2	95.8
Midlands & Wales	100.0	92.2	88.7	99.3	99.8	97.0
North of England	99.5	93.2	88.4	98.1	99.2	96.7
Scotland	101.1	95.8	95.2	102.4	102.8	100.8
GB	101.5	93.2	88.3	97.7	98.8	96.8

This analysis indicates that Scotland is the only identified region in which total employment (SIC 0-9) increased between December 1989 and September 1991. Only in Primary Activities (SIC 0-1) is employment change inferior to that of GB. Although, Scotland has shed manufacturing jobs (SIC 2-4), the decline has been less marked than for other parts of Britain. In addition, employment in both "private" services (SIC 6-8) and "mainly public" services (SIC 9) increased at a time when other regions and GB were losing jobs in these sectors. In Construction (SIC Div. 5), the jobs loss has been less marked in Scotland than elsewhere.

TIME SERIES ANALYSIS

In the previous section, we analysed Scottish, GB and regional unemployment change 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. The unemployment rates for Scotland and GB based on the unadjusted series are set out in Figure 3, whilst Figure 4 illustrates the trend in relative unemployment. On the basis of this series, Scottish unemployment rates peaked in early 1990 at over 1½ times the GB rate. As Figure 2 indicates, the represented the maximum differential posted in the 1978-92 period but has fallen continuously from the February 1990 peak of 151.5 to stand at 102.8 at January 1992.

Table 1 presents information on Scottish unemployment for the 12 months to January 1992. During this period, the Scottish unemployment rate rose erratically from 9.8% to 11.1% which is higher than in any month since April 1989. Male unemployment rose by 5.1% in January 1992 to stand at 184,108. This represents a rate of 15.7% on the narrow definition and 13.0% on the workforce basis. The present male rate is the highest recorded since February 1989. Female unemployment increased by 6.8% in January to stand at 57,243. this represents a rate of 5.8% narrowly defined or 5.4% of the female workforce. The female rate is lower than for January 1989 and January 1990 but higher than for January 1991.

On the basis of an index based at January 1990, the trends in male, female and persons jobless are as follows:

		JAN 90	JAN 91	JAN 92
Male	Scotland	100.0	99.3	115.2
	UK	100.0	120.8	168.8
Female	Scotland	100.0	90.8	96.5
	UK	100.0	107.8	142.9
Persons	Scotland	100.0	97.0	110.1
	UK	100.0	117.3	161.9

This data indicates that, in GB as a whole, both males and females are contributing to the rising unemployment during the current recession. In Britain in the period January 1990 to January 1992, a 100 person rise in unemployment is accounted for by a rise of 81.5 male unemployed and a rise of 18.5 female unemployed. In Scotland, a 100 person rise in unemployment comprises a 109.25 rise in males offset by a 9.25 decline in female unemployment. Thus, the driving force of the more modest Scottish unemployment change is male unemployment.

In order to further examine the net employment change, an examination of the flows onto and off the unemployment register was undertaken. In the month to January 1992, 17,641 persons left the dole queue but 31,600 people joined the register. This represents an off-flow on-flow ratio of 55.8% Although this ratio is typically low in January, the proportion of off-flows to on-flows has not been as low since January 1986. In 1991, off-flows constituted 89% of on-flows in Scotland and 79% in Britain. In 1990, the ratios were 97% and 88% respectively. Between 1990 and 1991, off-flows in Scotland declined by 0.8% whilst on-flows increased by 8.4%. In Britain, off-flows increased by 13.0% but on-flows grew by 26.3%. Thus, unemployment in Scotland increased between 1990 and 1991 because the volume of off-flows declined modestly and the level of on-flows increased modestly. In GB, the numbers leaving the dole queue increased by 13.0% between 1990 and 1991 but this was offset by an exceptionally strong trend in on-flows.

UNEMPLOYMENT IN THE SCOTTISH REGION

Table 2 sets out total unemployment and related statistics for the period January 1990 to January 1991 for Scotland, its regions and islands and for Britain. Quarterly and monthly changes are also indicated although these require careful interpretation and are best used to facilitate inter-regional comparisons. For the period January 1990 to January 1992 the trend in Scottish regional employment is as follows:

	JAN 1990	JAN 1991	JAN 1992
Borders	100.0	98.1	127.3
Central	100.0	102.0	109.8
Dumfries & Galloway	100.0	97.6	120.6
Fife	100.0	96.7	116.4
Grampian	100.0	90.2	104.8
Highlands	100.0	95.8	108.0
Lothian	100.0	103.4	121.0
Strathclyde	100.0	95.7	107.3
Tayside	100.0	99.1	107.7
Orkney & Shetland	100.0	89.0	98.5
Western Isles	100.0	94.0	109.8
Scotland	100.0	97.0	110.1

This data indicates that Borders, Dumfries & Galloway, Fife and Lothian have fared worst across the present recession. These regions each exhibit unemployment growth above the Scottish average. Grampian and Orkney and Shetland represent the areas which were least affected by rising unemployment due to the influence of North Sea activity upon local labour markets.

The differential performance of Scottish regions has tended to promote convergence in Scottish regional unemployment rates. For the period January 1990 - January 1992, the relative employment rates are as follows:

	JAN 1990	JAN 1991	JAN 1992
Borders	62.4	63.3	72.1
Central	101.0	106.1	100.9
Dumfries & Galloway	87.1	87.8	95.5
Fife	106.9	106.1	113.5
Grampian	45.5	42.9	44.1
Highlands	104.0	103.1	102.7
Lothian	76.2	80.6	83.8
Strathclyde	124.8	123.5	122.5
Tayside	92.1	94.9	91.0
Orkney & Shetland	54.5	50.0	48.6
Western Isles	167.3	161.2	166.7
Scotland	100.0	100.0	100.0

All regions except Grampian, Orkney & Shetland, Tayside and Fife have unemployment rates closer to the Scottish average in January 1992 as compared with January 1990. The former oil influenced areas have improved relative to Scotland. In January 1990, unemployment in Grampian was 45.5% of the Scottish rate and 54.5% in Orkney and Shetland. In January 1992, the rate in Grampian was 44.1% of that of Scotland whilst the Orkney & Shetland rate had declined to 48.6% of the Scottish average. Central, Highlands and Strathclyde each improved relative to Scotland whilst Borders, Dumfries & Galloway and Lothian all deteriorated to a rate closer to that of Scotland. Only Fife had an unemployment rate higher than the Scottish average in 1990 and experienced a relative deterioration in the period in question. The trend in relative unemployment for regions in the Central Belt during the 1978-92 period is set out in Figure 5.

The broad conclusion is that, in the recession so far, GB regional unemployment rates have converged upon the increasing national average. In Scotland, unemployment has increased relatively slowly and unemployment rates in local authority regions have shown a less marked tendency to converge towards the Scottish average. The influence of the North Sea upon Grampian, Tayside and Orkney and Shetland explains the divergency evident in these regions. However, Fife is unique in possessing relatively high unemployment and a deteriorating position relative to Scotland across the present recession.

Information on the unemployment situation facing males is set out in Table 3 whilst Table 4 sets out the position vis a vis females. In the 12 months to January 1991, male employment in Scotland increased by 25,268 whilst female employment rose by 3,422 or by 6.4%. The sharpest increase in male unemployment were experienced in Borders (30.1%), Dumfries & Galloway (29.9%), Fife (23.5%), Shetland (21.7%), Western Isles (19.6%) and Grampian (19.5%). With the exception of Fife and Western Isles, these regions present unemployment rates below the Scottish average. The relative employment rates for males for the period January 1990-92 are as follows:

	JAN 1990	JAN 1991	JAN 1992
Borders	61.8	63.7	71.3
Central	100.0	105.9	100.6
Dumfries & Galloway	75.0	76.3	84.7
Fife	101.5	102.2	108.9
Grampian	40.4	37.8	38.9
Highlands	97.8	96.3	96.8
Lothian	79.4	84.4	86.6
Strathclyde	127.9	125.9	123.6
Tayside	90.4	92.6	89.2
Orkney	64.0	57.0	57.3
Shetland	36.8	33.3	35.0
Western Isles	172.8	160.7	165.6
Scotland	100.0	100.0	100.8

For males, the convergence of rates is less marked. Both Fife and Central present above average rates in January 1990 and lose ground in the subsequent period. Grampian, Highland, Tayside, Orkney and Shetland all present lower than average unemployment and all improve their relative position in the period to January 1992. In all of these regions except Tayside, the increase in unemployment in the 1991-92 period is above the national average.

In the 12 months to January 1992, Borders (28.9%) exhibits the greatest rise in female unemployment. Give other areas experience unemployment growth above the Scottish average, viz Fife (11.8%), Lothian (11.4%), Dumfries & Galloway (10.6%), Grampian (8.5%) and Western Isles (8.5%). Of the areas suffering an above average female unemployment rise, Dumfries & Galloway, Fife and Western Isles all possess female unemployment rates above the Scottish average.

QUARTERLY ANALYSIS

Tables 2 to 4 set out details of the absolute and percentage changes in the quarter to January 1991. In this period, Scottish unemployment increased by 20,955 or by 9.5%. This comprises a rise in male unemployment of 16,780 or 10.0% and a female increase of 4,175 or by 7.9%. In the current quarter, only Fife (9.1%), Lothian (9.1%), Tayside (8.3%) and Strathclyde (7.8%) recorded increases below the Scottish average for total unemployment. For males, only Tayside (9.8%), Lothian (9.4%) and Strathclyde (8.4%) experience below average unemployment growth. For females, Strathclyde (5.6%), Central (5.3%), Tayside (4.2%), Fife (3.1%) and Shetland (-5.9%) all recorded increases below the national average. In this quarter, there is a tendency for urban areas to experience a slower rise in unemployment for all categories. For all measures, Grampian experiences above average unemployment increases.

A components of change analysis was conducted to establish which areas provide the greatest contribution to the rise in Scottish unemployment in the latest quarter. The results were as follows:

	TOTAL	MALE	FEMALE
Borders	2.7	1.9	0.8
Central	5.2	4.5	0.7
Dumfries & Galloway	5.0	3.8	1.3
Fife	6.2	5.7	0.6
Grampian	6.5	5.1	1.4
Highlands	8.1	4.2	3.9
Lothian	13.0	10.3	2.7
Strathclyde	45.3	37.9	7.3
Tayside	6.0	5.2	0.8
Orkney	0.5	0.4	0.1
Shetland	0.3	0.3	-0.0
Western Isles	1.1	0.8	0.3
Scotland	100	80.1	19.9

This analysis indicates that, for the quarter to January 1992 -

- a 100 increase in Scottish unemployment is accounted for by an increase of 80 males and 20 females
- a 100 increase in Scottish unemployment is accounted for by a rise of 45.3 in Strathclyde, 13.0 in Lothian, 6.5 in Grampian etc.
- a 100 increase in Scottish unemployment is accounted for by a rise of 5.7 males and 0.6 females in Fife, 5.2 males and 0.8 females in Tayside etc.

If one compares these components with the shares of unemployed by gender in each region,the following picture emerges

- unemployment in Fife, Lothian, Strathclyde and Tayside all experienced slower growth than would have been predicted. Other areas experience above expected change with the position in Borders, Dumfries & Galloway, Highlands and Orkney particularly acute.
- male unemployment in Lothian and Strathclyde grew by less than expected given their share of male unemployed. Other areas recorded above expected change with the growth in Borders, Dumfries & Galloway, Orkney and Shetland particularly strong.
- Grampian, Borders, Dumfries & Galloway, Highlands, Orkney and the Western Isles are all over-represented in female unemployment growth given their opening shares. Strathclyde, Tayside, Fife and Central all perform well below expectations.

Thus, the rural areas in Scotland are tending to perform relatively poorly in terms of unemployment change in the current quarter. The industrial central belt remains under-represented in unemployment growth for both males and females.

VACANCY LEVELS

Table 5 sets out registered vacancies at Job Centres whilst Table 6 presents the unemployment-vacancy ratios for Scottish regions. In the year to January 1992, unfilled vacancies in Scotland decreased by 1,245 or by 8.0%. There is considerable variation in regional fortunes. In Central, Grampian, Tayside and Orkney and Shetland, the level of vacancies increased whilst in Fife, Strathclyde and Western isles, the decrease was below the Scottish average.

In the quarter to January 1992, unfilled vacancies declined by 5,187 or by 26.5%. In Orkney and the Western Isles, the level of vacancies increased whilst Central, Dumfries & Galloway and Strathclyde each experienced declines below the national average. Particularly sharp decreases are evident in Lothian, Highlands, Borders and Shetland.

Table 6 sets out the "u/v" ratio which indicates the number of unemployed competing for each vacancy. Since it is estimated that circa 30% of all vacancies appear in these statistics, actual u/v ratios will be smaller than those presented in Table 6. In January 1992, 16.79 unemployed Scots were chasing each vacancy which is 59% of the number pursuing each British vacancy. Only in the Western Isles was the u/v ratio above the GB average. In January 1992, Scottish regions accounted for 6 of the 10 most favourable ratios from the 66 GB counties. A comparison with 1991 indicates that, although u/v ratios increased in Scotland across the period, the ranks of Scottish regions increased markedly. Thus, Scots unemployed faced relatively more favourable labour markets than in most other parts of the UK.

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 examine these intra-regional disparities. We employ data relating to Travel to Work Areas (TTWAs) of which there are 57 on mainland Scotland and the 3 islands. The latter are omitted from the accompanying table analysis.

Table 7 sets out unemployment in regional TTWAs for the period January 1991 and January 1992. In January 1992, Cumnock & Sanquhar remains the Scottish TTWA with the highest unemployment. A year ago, this area was the top GB jobless blackspot. However, unemployment in England and Wales has risen mor quickly than in Scotland. Consequently Cumnock and Sanquhar has been superseded as the GB TTWA with the highest unemployment rate. In general, Scottish TTWAs have slipped markedly down the UK rankings. In January 1992, Aberdeen is currently the GB TTWA with the lowest unemployment rate. Although Grampian presents the Scottish mainland region with the lowest unemployment rate, it should be noted that the region presents the highest "high-low" ratio. Both Forres and Keith constitute TTWAs with above Scottish average unemployment. If one examines the TTWAs, it is evident that many of those with the severest unemployment problem are in rural or semi-rural areas. In the past year, these rural areas have suffered the highest unemployment changes. However, within the large Central Belt TTWas there exist areas and communities with high and unacceptable TTWAs. However, these tend to be getting worse more slowly than similar British areas or than rural Scotland.

Figure 1

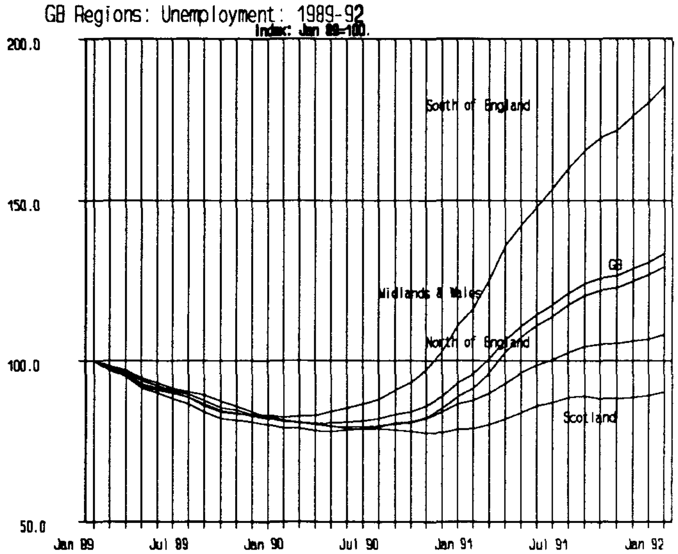


Figure 2

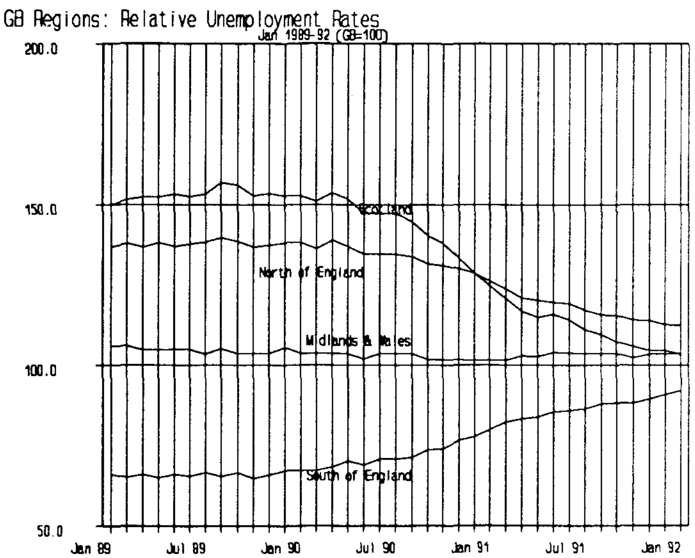


Figure 3

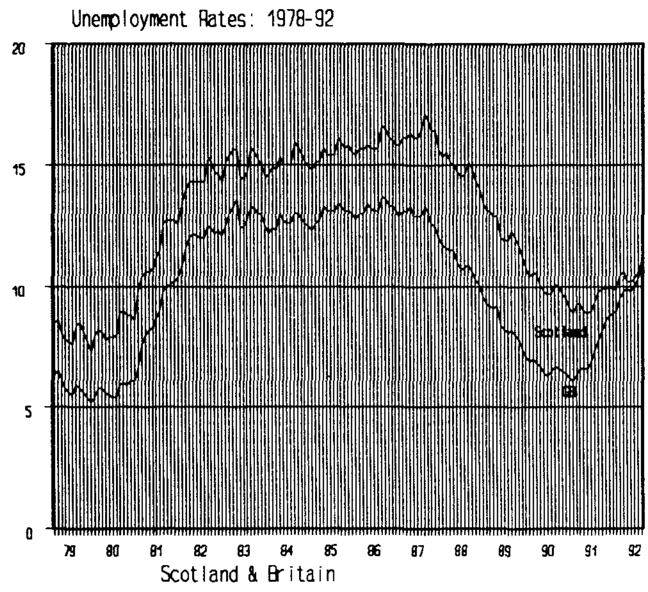


Figure 4

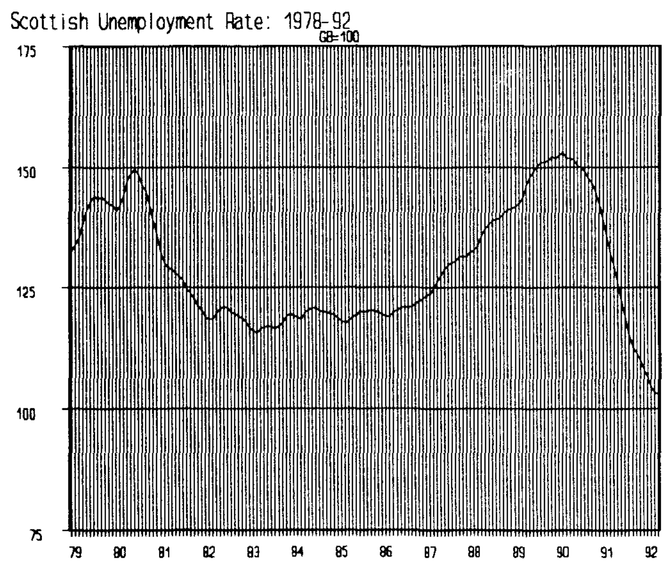
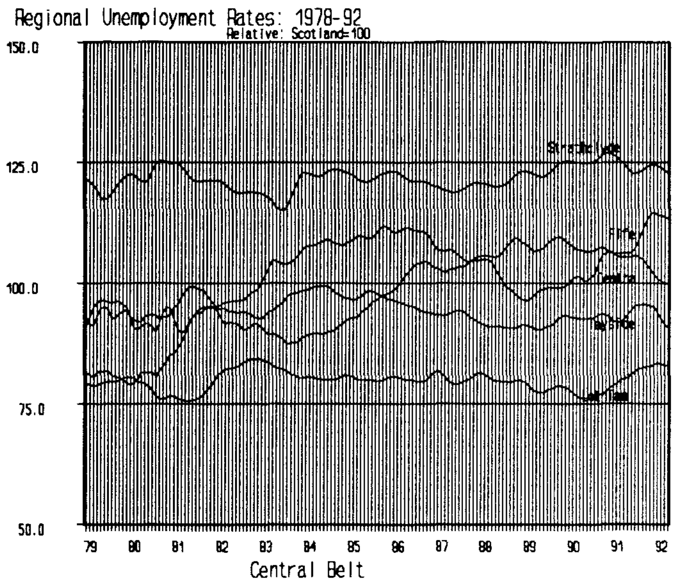


Figure 5



Regional Unemployment Rates: 1978-92
Relative: Scotland=100
150.0
125.0
100.0
75.0
50.0
Strathclyde
Fife
79
80
81
82
83
84
85
86
87
88
89
90
91
92
Central Belt

TABLE 1: UNEMPLOYMENT TOTALS - UNADJUSTED TIME SERIES, SCOTLAND

Month	Unemployment rate*	Total	Monthly % change	Male	Monthly % Change	Female	Monthly % Change
1991 Jan	9.8	212,661		158,840		53,821	
Feb	9.9	213,729	0.50	159,691	0.54	54,038	0.40
Mar	9.9	215,148	0.66	161,649	1.23	53,499	-1.00
Apr	10.0	216,991	0.86	163,051	0.87	53,940	0.82
May	9.9	215,320	-0.77	162,454	-0.37	52,866	-1.99
Jun	9.9	215,501	0.08	162,685	0.14	52,816	-0.09
Jul	10.5	228,376	5.97	168,449	3.54	59,927	13.46
Aug	10.6	230,160	0.78	169,544	0.65	60,616	1.15
Sep	10.2	221,953	-3.57	166,979	-1.51	54,974	-9.31
Oct	10.2	220,396	-0.70	167,328	0.21	53,068	-3.47
Nov	10.3	223,599	1.45	170,335	1.80	53,264	0.37
Dec	10.6	228,766	2.31	175,152	2.83	53,614	0.66
1992 Jan	11.1	241,351	5.30	184,108	5.11	57,243	6.77

* narrow base definition

Source: Department of Employment

TABLE 2: TOTAL UNEMPLOYMENT BY REGION: UNADJUSTED

	% rate Jan 1992		Total Jan 1992	Total Jan 1991	Annual Change		Total Oct 1991	Quarterly Change		Total Dec 1991	Monthly Change	
	Narrow	Wide			Total	%		Total	%		Total	%
Borders	8.0	6.6	3,097	2,368	711	29.8	2,521	576	22.8	2,823	274	9.7
Central	11.2	9.8	12,034	11,175	859	7.7	10,942	1,092	10.0	11,364	670	5.9
Dumfries & Galloway	10.6	8.5	5,948	4,815	1,133	23.5	4,896	1,052	21.5	5,412	536	9.9
Fife	12.6	10.9	15,619	12,978	2,641	20.3	14,318	1,301	9.1	14,907	712	4.8
Grampian	4.9	4.3	11,843	10,192	1,651	16.2	10,477	1,366	13.0	10,994	849	7.7
Highland	11.4	9.4	9,601	8,518	1,083	12.7	7,898	1,703	21.6	9,093	508	5.6
Lothian	9.3	8.3	32,719	27,965	4,754	17.0	29,992	2,727	9.1	30,547	2,172	7.1
Strathclyde	13.6	11.9	131,269	117,089	14,180	12.1	121,780	9,489	7.8	125,338	5,931	4.7
Tayside	10.1	8.7	16,504	15,174	1,330	8.8	15,239	1,265	8.3	15,691	813	5.2
Orkney Islands	7.1	5.1	518	478	40	8.4	421	97	23.0	491	27	5.5
Shetland Islands	4.1	3.4	403	354	49	13.8	350	53	15.1	361	42	11.6
Western Isles	18.5	14.0	1,796	1,537	259	16.9	1,562	234	15.0	1,745	51	2.9
Scotland	11.1	9.7	241,351	212,661	28,690	13.5	220,396	20,955	9.5	228,766	12,585	5.5
South of England	9.9	8.4	1,058,660	669,771	388,889	58.1	942,046	116,614	12.4	1,011,499	47,161	4.7
Midlands & Wales	11.2	9.6	556,019	397,916	158,103	39.7	502,979	53,040	10.5	529,619	26,400	5.0
North of England	12.0	10.4	713,042	581,131	131,911	22.7	659,128	53,914	8.2	680,573	32,469	4.8
GB	10.8	9.3	2,569,072	1,861,479	707,593	38.0	2,324,549	244,523	10.5	2,450,457	118,615	4.8

Source: Department of Employment

TABLE 3: MALE UNEMPLOYMENT BY REGION: UNADJUSTED

	% rate Jan 1992		Total Jan 1992	Total Jan 1991	Annual Change		Total Oct 1991	Quarterly Change		Total Dec 1991	Monthly Change	
	Narrow	Wide			Total	%		Total	%		Total	%
Borders	11.2	8.4	2,241	1,722	519	30.1	1,835	406	22.1	2,041	200	9.8
Central	15.8	13.3	9,066	8,193	873	10.7	8,124	942	11.6	8,581	485	5.7
Dumfries & Galloway	13.3	9.9	4,191	3,226	965	29.9	3,403	788	23.1	3,786	405	10.7
Fife	17.1	14.2	11,692	9,467	2,225	23.5	10,508	1,184	11.3	11,113	579	5.2
Grampian	6.1	5.1	8,525	7,135	1,390	19.5	7,458	1,067	14.3	7,977	548	6.9
Highland	15.2	11.7	6,770	5,824	946	16.2	5,888	882	15.0	6,406	364	5.7
Lothian	13.6	11.6	25,096	21,121	3,975	18.8	22,936	2,160	9.4	23,552	1,544	6.6
Strathclyde	19.4	16.4	102,325	89,585	12,740	14.2	94,373	7,952	8.4	98,165	4,160	4.2
Tayside	14.0	11.4	12,159	10,855	1,304	12.0	11,070	1,089	9.8	11,582	577	5.0
Orkney Islands	9.0	5.9	364	312	52	16.7	286	78	27.3	338	26	7.7
Shetland Islands	5.5	4.1	292	240	52	21.7	232	60	25.9	261	31	11.9
Western Isles	26.0	17.5	1,387	1,160	227	19.6	1,215	172	14.2	1,350	37	2.7
Scotland	15.7	13.0	184,108	158,840	25,268	15.9	167,328	16,780	10.0	175,152	8,956	5.1
South of England	14.1	11.2	799,617	500,465	299,152	59.8	703,930	95,687	13.6	764,919	34,698	4.5
Midlands & Wales	15.6	12.6	426,757	300,523	126,234	42.0	382,905	43,852	11.5	408,033	18,724	4.6
North of England	17.0	14.1	554,152	445,634	108,498	24.3	508,432	45,720	9.0	530,937	23,215	4.4
GB	15.3	12.4	1,964,634	1,405,482	559,152	39.8	1,762,595	202,039	11.5	1,879,041	85,593	4.6

Source: Department of Employment

TABLE 4: FEMALE UNEMPLOYMENT BY REGION: UNADJUSTED

	% rate Jan 1992		Total Jan 1992	Total Jan 1991	Annual Change		Total Oct 1991	Quarterly Change		Total Dec 1991	Monthly Change	
	Narrow	Wide			Total	%		Total	%		Total	%
Borders	4.6	4.2	856	664	192	28.9	686	170	24.8	782	74	9.5
Central	5.9	5.4	2,968	2,982	-14	-0.5	2,818	150	5.3	2,783	185	6.6
Dumfries & Galloway	7.1	6.3	1,757	1,589	168	10.6	1,493	264	17.7	1,626	131	8.1
Fife	7.0	6.4	3,927	3,511	416	11.8	3,810	117	3.1	3,794	133	3.5
Grampian	3.2	3.0	3,318	3,057	261	8.5	3,019	299	9.9	3,017	301	10.0
Highland	7.1	6.4	2,831	2,694	137	5.1	2,010	821	40.8	2,687	144	5.4
Lothian	4.5	4.3	7,623	6,844	779	11.4	7,056	567	8.0	6,995	628	9.0
Strathclyde	6.6	6.1	28,944	27,504	1,440	5.2	27,407	1,537	5.6	27,173	1,771	6.5
Tayside	5.6	5.2	4,345	4,319	26	0.6	4,169	176	4.2	4,109	236	5.7
Orkney Islands	4.7	3.9	154	166	-12	-7.2	135	19	14.1	153	1	0.7
Shetland Islands	2.5	2.3	111	114	-3	-2.6	118	-7	-5.9	111	11	11.0
Western Isles	9.4	8.3	409	377	32	8.5	347	62	17.9	409	14	3.5
Scotland	5.8	5.4	57,243	53,821	3,422	6.4	53,068	4,175	7.9	3,629	3,629	6.8
South of England	5.2	4.8	259,043	169,306	89,737	53.0	238,116	20,927	8.8	246,580	246,580	5.1
Midlands & Wales	5.8	5.3	129,262	97,393	31,869	32.7	120,074	9,188	7.7	121,586	121,586	6.3
North of England	5.9	5.4	158,890	135,477	23,413	17.3	150,696	8,194	5.4	149,636	149,636	6.2
GB	5.5	5.1	604,438	455,997	148,441	32.6	561,954	42,484	7.6	571,416	571,416	5.8

Source: Department of Employment

TABLE 5: REGISTERED VACANCIES AT JOB CENTRES: BY REGION										
	Jan 1992	%	Jan 1991	%	Annual Change		October 1991	%	Quarterly Change	
					Total	%			Total	%
Borders	318	2.2	469	3.0	-151	-32.2	503	2.6	-185	-36.8
Central	833	5.8	784	5.0	49	6.3	1,011	5.2	-178	-17.6
Dumfries & Galloway	480	3.3	663	4.2	-183	-27.6	624	3.2	-144	-23.1
Fife	675	4.7	704	4.5	-29	-4.1	929	4.7	-254	-27.3
Grampian	1,863	13.0	1,579	10.1	284	18.0	2,559	13.1	-696	-27.2
Highland	519	3.6	738	4.7	-219	-29.7	821	4.2	-302	-36.8
Lothian	1,529	10.6	1,983	12.7	-454	-22.9	2,721	13.9	-1,192	-43.8
Strathclyde	7,209	50.2	7,816	50.0	-607	-7.8	9,148	46.8	-1,939	-21.2
Tayside	718	5.0	703	4.5	15	2.1	979	5.0	-261	-26.7
Orkney Islands	74	0.5	56	0.4	18	32.1	66	0.3	8	12.1
Shetland Islands	98	0.7	62	0.4	36	58.1	143	0.7	-45	-31.5
Western Isles	56	0.4	60	0.4	-4	-6.7	55	0.3	1	1.8
Scotland	14,372	100.0	15,617	100.0	-1,245	-8.0	19,559	100.0	-5,187	-26.5

Source: Department of Employment

TABLE 6: UNEMPLOYMENT-VACANCY (U/V) RATIO: BY REGION									
	January 1992			January 1991			January 1990		
	U/V	GB rank	% GB	U/V	GB rank	% GB	U/V	GB rank	% GB
Borders	9.74	5	34.0	5.09	1	31.0	5.96	19	63.0
Central	14.45	9	51.0	14.25	33	85.0	8.74	34	93.0
Dumfries & Galloway	12.39	7	43.0	7.26	7	44.0	11.39	44	121.0
Fife	23.14	31	81.0	18.43	51	111.0	15.02	58	160.0
Grampian	6.36	2	22.0	6.45	3	39.0	3.55	6	38.0
Highland	18.50	15	65.0	11.34	24	69.0	9.50	37	101.0
Lothian	21.40	27	75.0	14.10	32	85.0	12.20	51	130.0
Strathclyde	18.21	13	64.0	14.98	36	90.0	13.20	54	140.0
Tayside	22.99	30	81.0	21.58	55	129.0	13.92	57	148.0
Orkney Islands	7.00	3	25.0	8.54	8	51.0	9.61	39	102.0
Shetland Islands	4.11	1	14.0	5.71	2	34.0	8.32	30	89.0
Western Isles	32.07	48	113.0	25.62	60	154.0	35.34	66	378.0
Scotland	16.79	15.9*	59.0	13.62	41.0*	82.0	11.04	40.5*	117.0

Source: Department of Employment

* average rank

TABLE 7: TTWAs WITH HIGHEST AND LOWEST UNEMPLOYMENT RATES AND RANKS: JANUARY 1991 AND JANUARY 1992											
		Unemployment: Jan 1992			Unemployment: Jan 1991			High-Low		High/Low	
		% rate	GB rank	Sc. rank	% rate	GB rank	Sc. rank	Jan 1992	Jan 1991	Jan 1992	Jan 1991
Borders	H Peebles	11.9	120	25	9.5	103	28	6.3	4.9	2.1	2.1
	L Galashiels	5.6	310	55	4.6	287	56				
Central	H Alloa	15.0	41	9	13.7	24	9	6.4	6.0	1.7	1.4
	L Stirling	8.6	135	43	7.7	163	39				
Dumfries & Galloway	H Cumnock & Sanquhar	24.8	2	1	21.4	1	1	16.8	14.9	3.1	3.3
	L Dumfries	8.0	258	47	6.5	211	50				
Fife	H Kirkcaldy	13.7	72	17	11.3	63	22	5.7	4.6	1.7	1.7
	L North East Fife	8.0	253	48	6.7	198	49				
Grampian	H Forres	16.8	23	4	15.4	15	5	13.1	12.4	4.5	5.1
	L Aberdeen	3.7	322	57	3.0	319	57				
Highland	H Wick	15.7	31	7	16.9	6	2	6.8	9.5	1.8	2.3
	L Inverness	8.9	225	42	7.4	171	42				
Lothian	H Bathgate	13.1	83	20	11.5	59	20	4.6	4.3	1.5	1.6
	L Edinburgh	8.5	243	44	7.2	181	45				
Strathclyde	H Girvan	18.4	16	3	16.4	7	3	8.4	8.1	1.8	2.0
	L Ayr	10.5	183	33	8.3	140	34				
Tayside	H Arbroath	13.3	81	19	13.4	28	10	5.4	7.0	1.7	2.1
	L Forfar/Crieff	7.9	264	49	6.4	215	51				

Source: Department of Employment

Note: GB - 322 TTWAs
Scotland - 57 TTWAs