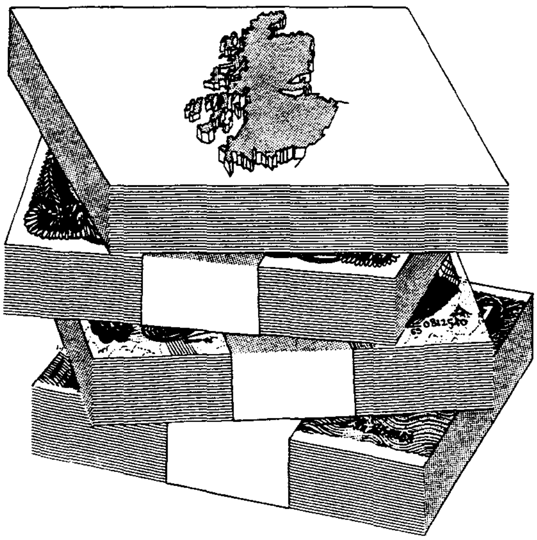
THE SCOTTISH ECONOMY



SHORT-TERM FORECASTS*

There are quite significant revisions in the latest index of production and construction for Scotland released recently by the Scottish Office. For example, a fall of 0.2% recorded in the May issue of the official news release in the seasonally adjusted output index for production industries (Division 1 to 4 of the 1980 SIC) in the final quarter last year is now revised to be a rise of 0.2%. The latest news release (11 August) also shows a further decline of 2% in output in the first quarter this year. These revisions have a major impact on our forecasts. Our last forecast was led to point to the wrong directions in both of the above cases.

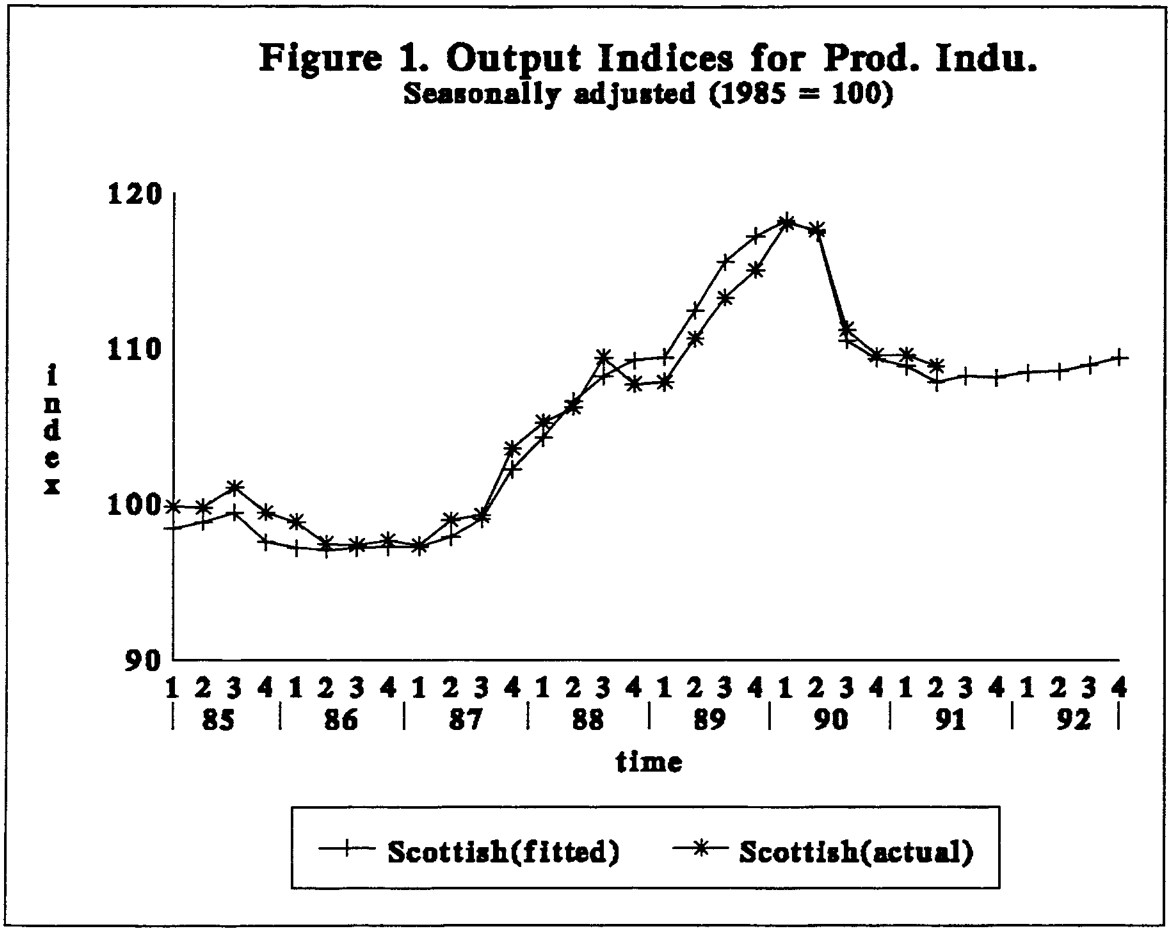
The present forecast is based on the revised official data and National Institute's revised UK output forecast. The latter has been revised down quite substantially from the previous forecast. Our present forecasting period extends to the fourth quarter of 1993. Figure 1 shows movements in the actual output index and in the index as predicted by the model over the period of 1985 Q3 to 1992 Q1, and also shows forecasts for the period 1992 Q2 to 1993 Q4. Further details of the actual and projected indices are shown in Table 1. It is clear from Figure 1 that the in-sample forecast picks up the down-turn in the final quarter last year correctly. It also shows further declines in Scottish output in the first two quarters of this year. It is forecast to level off in the third quarter this year and then begin to rise.

Like the forecasts for the UK as a whole, the present projection for Scottish output for the period up to 1993 Q4 has been reduced quite markedly. The 1992 output index for Scottish production industries is predicted to be 1.1% lower than 1991. This should be followed by a modest recovery of 1% in 1993.

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

	Actual	FAI Model
1990	114.3	114.6
1991	111.5	110.2
1992	-	109.0
1993	-	110.1
1990 Q4	110.2	112.0
1991 Q1	110.6	111.3
Q2	110.6	109.7
Q3	112.2	110.1
Q4	112.4	109.8
1992 Q1	110.1	109.0
Forecast		
Q2	-	108.9
Q3	-	108.9
Q4	-	109.2
1993 Q1	-	109.4
Q2	-	109.9
Q3	-	110.3
Q4	-	110.7
%Change		
1991/90	-2.4	-3.8
1992/91	-	-1.1
1993/92	-	1.0
91Q4/90Q4	2.0	-1.9
92Q4/91Q4	-	-0.5
93Q4/92Q4	-	1.4

* 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.



BUSINESS SURVEY

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, financial and oil companies are survey quarterly. The following results refer to the second quarter of 1992.

Business confidence

In Manufacturing the balance of optimism improved slightly in the first quarter, with a net balance of 7% of respondents reporting that they were more optimistic than three months previously. In the first quarter 1992, a net balance of 6% of respondents reported that they were more optimistic than they were in the preceding quarter. Business confidence in manufacturing has now been rising since the third quarter 1991. Manufacturing respondents were neither less optimistic nor more optimistic than they were in the same period a year ago. This represents an improvement on the balance of 4% of respondents in the first quarter who were less optimistic than twelve months previously.

In Construction, a net balance of 21% of respondents were less optimistic than in the preceding quarter. Confidence continues to decline and at a faster rate than in the first quarter 1992 where a balance of 7% of respondents reported that they were less optimistic than three months earlier. A net balance of 22% of respondents reported that they were less optimistic than they were a year ago; an improvement of 10 percentage points on the response in the first quarter.

In Distribution, Retailing respondents are appreciably more confident with a net balance of 9% reporting an increase in optimism over the previous three months; this can be compared with the positive balance of 1% recorded in the first quarter. In Wholesaling, a net balance of 5% of firms were more optimistic, compared with the balance of 7% who were less optimistic in the first quarter. Confidence in Wholesaling is now seen to be rising after declining in the two previous quarters.

Optimism amongst respondents from the Tourism and

Leisure sector continues to rise at the same rate as in the first quarter. In the both quarters a net balance of 12% reported that they were more optimistic about the general business situation than they were three months earlier.

Orders and sales

In Manufacturing, orders and sales now appear to be rising after falling in successive quarters since the third quarter 1990. For orders, a net balance of 2% reported an increase while, for sales, a balance of 1% of firms experienced a rise. These figures compare with negative balances of 2% and 4%, respectively, in the previous quarter. The boost to orders and sales appears to be coming from export markets where positive balances were recorded for both categories of demand. However, orders from Scottish and UK markets appear still to be declining since negative balances of 9% and 16%, respectively, were recorded. Sales, on the other hand, displayed a negative balance only to UK markets (14%), while Scottish and export sales recorded positive balances of 8% and 11%, respectively. The turnaround in orders and sales appears to be have occurred across the Scottish economy, with the exception of Fife - orders and sales - and Edinburgh and Glasgow where negative balances were reported for sales.

In Construction, orders continue to decline at a similar rate to the one recorded in the first quarter. Orders from Central Government continue to be depressed, but the slowing down in the rate of contraction noted during the previous quarter has resulted in Other Public Sector orders recording the largest negative balance in the current quarter. Demand from the private sector also remains depressed with the negative balance on orders being much the same as in the first quarter.

The upward trend in Retail sales continued in the second quarter. A net balance of 12% of retailers reported that sales had risen, compared with a 7% balance in the first quarter and a 0% balance in the fourth quarter 1991. In Wholesaling, however, sales continue to fall and at a faster rate than in the first quarter. A net balance of 9% of respondents reported a decline in sales compared with the 6% balance recorded in the last survey.

Tourism demand rose in the second quarter with a net balance of 10% of companies reporting an increase. This represents a reversal of the situation in the first quarter where a net balance of 3% reported a fall in demand. The pattern of demand change broadly corresponds to that experienced by manufacturing respondents, with increased demand reported from Scotland and abroad while demand from the rest of the UK continues to fall.

Stock adjustments

Stocks of finished goods and raw materials in Manufacturing continue to be run down with net balances of 15% and 14%, respectively, reporting a decline. The rate of contraction is little changed from the first quarter.

Finance and investment

In the Financial sector, the demand for personal loans rose considerably to an apparently similar level to the growth recorded in the fourth quarter 1991. In the first quarter, the growth in personal advances slackened appreciably. A net balance of 33% of respondents reported an increase in personal loans compared with a balance of 2% in the previous quarter and a balance of 34% in the fourth quarter 1991. Similarly, the balance reporting an increase in advances to the corporate sector rose to 26% following the net positive balances of 15% and 26% in the first and fourth quarters, respectively. The demand for working capital continued to rise but there was a further slow-down in the rate of growth; conversely, the demand for finance for investment in buildings, and plant and equipment continued to decline but at a much reduced rate in the former and the same rate as in the first quarter in the latter.

Manufacturing investment in plant and machinery improved in the current quarter with a small positive balance of 1% of respondents reporting an increase. In contrast, there was a further deterioration in manufacturers investment in land and buildings with a net balance of 9% of respondents reporting a decline compared with 6% in the first quarter. However, Manufacturing investment in both types of expenditure is expected to decline in the third quarter. Retailing and Wholesaling again revised their investment intentions upward with net balances of 5% and 8%, respectively, reporting an increased intention to invest in premises. Investment by Construction respondents continues to decline.

Expectations

First quarter expectations for the second quarter 1992 were generally under fulfilled. In Manufacturing, the expectation that orders and sales would increase was realised but apparently by less than expected. Similarly, in both Tourism and Retailing expectations of increasing demand were realised but by a smaller net balance of respondents. Conversely, the expectation by Wholesaling respondents that sales would rise did not materialise. And while Construction respondents anticipated a further decline in orders, the outturn appears to have been much worse than expected.

Expectations for the third quarter 1992 are generally for a better outturn than achieved in the present quarter. A net balance of 7% of Manufacturers expect orders to rise, while a balance of 10% anticipate an increase in sales. In Construction, a balance of 16% expect a further decline in orders. In wholesaling, a balance of 15% expect an increase in sales, while in Retailing, a balance of 27% of respondents expect sales to rise.

Chambers of Commerce areas

Aberdeen continues to be the most buoyant area in

Scotland. Edinburgh and surrounding area performed particularly well in the current quarter and turned in the best performance in Retailing, Wholesaling, and Tourism. Manufacturing remains depressed in the Edinburgh area but this is influenced by firms in the Borders eg. Textiles, reporting through Edinburgh. The Fife economy appears to be the most depressed of the Chambers of Commerce areas. Tourism demand is strong in Dundee, and Manufacturing appears to be doing particularly well in Central.

PRIMARY

FISHING

Figure 1 gives the information on the weight, value and price of fish landed in Scotland in the first six months of 1992. The data from UK vessels are broken down by type of fish, and the proportionate change as against the figures for the equivalent period in 1991 are given for comparative purposes.

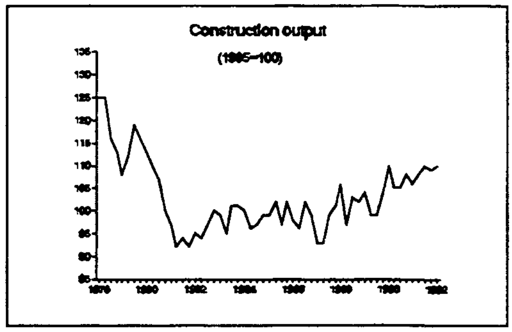
For the period from January to June 1992, the value of fish landed in Scottish ports by UK vessels was £123.9 million. This is 4 per cent lower than the figures for the first half of 1991. Demersal (whitefish) landings, at £87.2 million, made up 70% of the total value. The value of demersal landings fell 4%, despite a 5% increase in the weight of landings. In particular, whilst the weight of haddock landings increased by 40%, their average price fell by 32% so that the value of haddock landings declined 5% to £22.1 million. Similarly, a 15% rise in the weight of whiting landings was accompanied by a 16% drop in their price and a resultant 3% reduction in the value of landings to £9.8 million. For both cod and saithe there were small falls of 1% in the weight of landings, but the value of saithe landings decreased by 12% to £3.1 million, whilst the value of cod landings was little changed at £22 million.

Landings of pelagic species, that is herring and mackerel, rose in both weight (7%) and value (11%) and in total valued £10.4 million. Both the weight and value of shellfish landings fell by 2% and 6% respectively. For the more important individual species, both Norway lobsters and scallops showed increased landings (12% and 28% respectively) accompanied by price decreases. The decline in the price of the Norway lobster was particularly marked (16%) which resulted in a 6% reduction in the value of landings to 15.6 million: for scallop the price reduction was less steep, so that the value of landings increased 21% to £4.3 million.

The value of landings from foreign vessels totalled £7 million, just over 5% of total landings in Scotland. This represented a very large (356%) increase over the figures for the first half of 1991.

CONSTRUCTION

The first quarter of 1992 saw the Scottish index of construction increase slightly by 1.7% to stand at 110.5. Comparing the latest four quarters with the previous four shows an increase of just over 3%, while comparing the 1992 first quarter with the 1991 quarter gives an more substantial increase of over 5%.



The Scottish index is however, difficult to explain; it has been exhibiting a saw toothed upward trend over the past few years. The counter-cyclical nature of this trend is somewhat of an anathema as it seems to contradict other current evidence.

The UK picture is more pessimistic as one would expect, with a fall of 0.5% in the first quarter of 1992 to 116.2, the eighth successive quarterly fall. A closer examination of the quarterly changes shows that the rate of decline has reached a turning point and whilst still falling has bottomed out with the largest quarterly fall in the second quarter of 1991 (3.4%). This is encouraging but does not imply that an end to the current slump is imminent; indeed current opinion feels it is unlikely to improve in 1992 without some form of external stimulus.

The latest Scottish Chambers Business Survey (SCBS) for the second quarter of 1992 showed a marked decline in optimism, with a balance of 21% of respondents being less optimistic than in the previous quarter and a net 22% of respondents being less optimistic than one year ago.

The trend in total construction orders has improved slightly but still remains negative for a net 25% of respondents. The largest negative trends were reported in new orders from Central Government and other public sector orders. A net 26% of SCBS respondents reported a decline in private sector new orders. This figure is expected to improve slightly in the third quarter but will still be low and negative.

Average capacity utilization increased in the second quarter from an average of 71% to 75% of total capacity. The Aberdeen CoC area reported utilization of 85%, with Central and Edinburgh CoC areas showing the lowest utilization at 71%.

FIGURE 1 FISH LANDINGS IN SCOTLAND: JANUARY TO JUNE 1992 - COMPARED WITH JANUARY TO JUNE 1991

Landings by UK vessels	JAN TO MAR 1992			92 PER CENT OF 91		
	Weight Tonnes	Value £000s	Price £/T	Weight %	Value %	Price %
Demersal	88,373	87,180	987	105	96	91
Pelagic	86,201	10,368	120	110	111	101
Shellfish	19,700	26,397	1,340	98	94	96
Cod	17,046	21,969	1,289	99	97	98
Haddock	24,082	22,086	917	140	95	68
Whiting	17,926	9,792	546	115	97	84
Saithe	6,040	3,076	509	99	88	89
Dover Sole	20	68	3,400	105	126	120
Hake	1,115	1,836	1,647	91	81	89
Lemon Sole	1,242	2,311	1,861	83	84	102
Ling	1,692	1,505	889	98	102	104
Megrims	1,220	2,086	1,710	82	97	118
Monks	4,747	11,668	2,458	95	104	110
Plaice	3,534	3,283	929	106	92	87
Skate	1,544	1,064	689	83	87	105
Sandeels	2,343	106	45	42	42	100
Dogfish Spur	2,562	2,585	1,009	82	81	99
Witches	900	1,173	1,303	82	86	105
Mackerel	75,477	9,496	126	106	109	102
Herring	3,929	462	118	121	110	91
Brown Crabs	1,561	1,744	1,117	78	75	96
Green Crabs	149	79	530	88	103	116
Velvet Crabs	709	1,385	1,953	106	102	97
Lobsters	106	1,037	9,783	65	66	102
Prink Shrimps	63	53	841	117	104	89
Squid	211	288	1,365	40	61	152
Scallops	2,568	4,251	1,655	128	121	95
Norway Lobsters	8,493	15,566	1,833	112	94	84
Queen Scallops	1,497	571	381	59	60	103
Periwinkles	866	505	583	87	93	106
Total by UK vessels	194,273	123,945	638	106	96	91
Landings by foreign vessels	26,812	6,978	260	364	356	98
Total landings in Scotland	221,085	130,923	592	116	100	86

Source: Scottish Office Information Directorate, 12.02.1992

Investment trends remained low in the second quarter with a net 37% of respondents reporting a decline in investment intentions in plant & machinery and investment in buildings declined for a net 30% of firms. Investment intentions are expected to continue to decline in the three months to September. The main reason cited for current investment was for replacement purposes.

There was a slight improvement in total employment from a net of -31% in the first quarter, but it remained low and negative with 25% experiencing reduced employment overall. Consequently recruitment activity is down in the second quarter. Surprisingly, firms who did attempt to recruit were experiencing difficulties; with 29% of them facing problems with recruiting technical staff; 18% in finding suitable professional and managerial staff and 14% experienced problems in fulfilling their requirements for young people.

House prices in Scotland rose by 1.4% in the second quarter of 1992, leaving them just 0.5% above last year's value. After peaking later than the rest of mainland UK, house prices in Scotland now appear to have stabilized. Overall there is no indication of the house price fall experienced in England and Wales. A closer examination of the differing types of property reveals that there have indeed been falling prices in Scotland. New property prices fell by 1.2% in the second quarter 1992, the first fall since the fourth quarter 1990, according to the Halifax standardized indices of house prices.

Despite the depressed condition of the housing market at the moment a recent MORI poll for the Woolwich Building Society reveals that Britain's 18-25 year olds still see buying a home as a sound investment; Job security was cited by 79% of respondents as the biggest hindrance to purchasing.

NHBC applications for housing starts in Scotland during the second quarter 1992 fell by 29.7% to 2,600, which is 23.5% down on the second quarter 1991. The picture in Great Britain as a whole is worse with a second quarter fall of 35% to 27,400. These falls are understandable when one considers the declining profitability of new housing in the present climate.

Scottish housing completions increased by 6.9% in the second quarter 1992 to 3,100. In Great Britain completions fell by 8.5% to 33,500. This is further evidence of the lag between Scotland and the rest of the country. As recent evidence shows the trends experienced in the South are now evident in Scotland; although fortunately, not as severe.

The first half of 1992 saw the NHBC first time buyers ability to buy index reach heights not seen since 1983. The higher the index the greater the ability to buy, it now stands at 100. The direction of movement of this index has generally been a lead indicator of housing starts, with a time lag of two quarters.

The Scottish industrial/warehouse markets have been hit by recession. Even trend bucking Aberdeen has succumbed. Signs of recovery in speculative industrial development have nearly been extinguished. The more ambitious the scheme the more spectacular the potential bankruptcy. Some developers say they will not build speculatively; but most have no option as pre-letting is a necessity for funding.

The market is swamped by second hand space, the availability of which has trebled recently. In the current climate it is difficult to attempt large refurbishments/conversions as opposed to complete demolition and re-development. The current over supply has led to strong downwards pressure on rents and much of the current warehouse business is for either short term storage or merely as a desk exercise. All is not complete doom and gloom however, as the demand for good quality space in the sub 10,000 sq ft range at £4.50-5.00/sq ft is holding up well, albeit with generous incentives. It is generally felt that the LEC's need to stimulate the long overdue provision of new industrial and warehouse space to service both local and inward investor demand which will inevitably follow through when the economy picks up.

The principle inhibition at the moment is the trade-in factor; how do clients get rid of their existing lease? The twenty five year leases taken out in the boom leasing period of the mid 1960s are now coming to an end and clients now have to decide whether to renegotiate or to move. There is a prevalent notion that now is the time to move as the current market has placed potential customers in an extremely strong bargaining position. Constructors need the cash flow to service borrowings and meet day to day running expenses. Many companies are even prepared to make a loss in the short term. UK wide, contractors have dropped prices by up to 30% in the past two years. Redland, the building materials producers, estimate falls of 40% since 1989 on the price of some bricks, which has helped to cushion some of the impact of falling contracting prices. This situation, however cannot last and when the upturn starts these bargains will disappear.

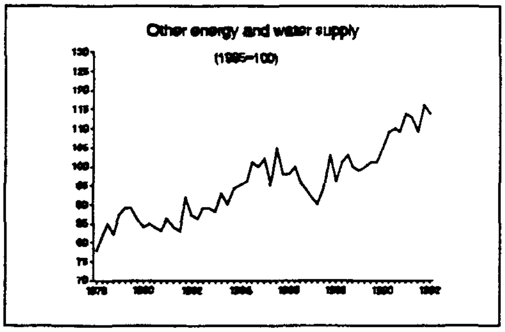
Business parks are holding their own at the moment, some are being promoted as design and build pre-letting packages in order to encourage clients. Confidence is a vital factor of tenant decision making in the business park market, and is inexorably linked to the performance of the economy. This of course creates a catch 22 situation with no improvement in the economy until firms start to invest and no investment until the economy improves. Rosyth Naval Dockyard is attempting to attract oil work in order to combat reduced naval orders. In a joint venture with Aberdeen based OGL, a subsidiary of John Laing, they are targeting new opportunities in maintenance, repair and refurbishment work on existing platforms.

ENERGY

OIL AND GAS

According to the Royal Bank/Radio Scotland Oil Index, North Sea oil production averaged just less than 1.85 mbpd in July, an increase of over 16% on June average daily output. Much of this increase was attributed to the conclusion of annual offshore maintenance in a number of fields, notably Alwyn North, Magnus, Miller, Eider and Claymore.

It was suggested in the last Commentary that oil prices could remain in the $17-$18 pb range, in a relatively weak market during the late spring and summer. In fact, following the OPEC meeting in May (see below) crude prices rose fairly sharply and maintained higher levels throughout the early summer months. In North Sea terms, the price of Brent reference crude averaged $21.09 pb in June and $20.29 pb in July. According to the Royal Bank, the average daily value of North Sea output in July was £19.5 million, £1.4 million per day higher than in June. Abstracting from physical production levels, sterling gains from the higher oil prices prevailing during the summer were significantly eroded by depreciations of the dollar against the pound.



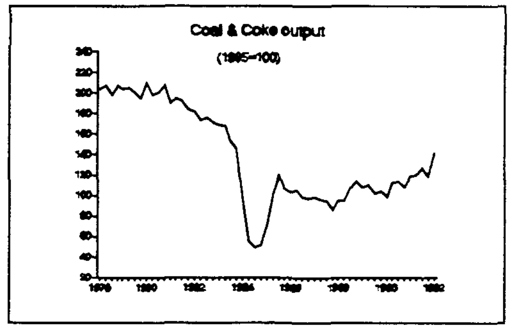
Contrary to general market expectations that its production ceilings would be raised, OPEC decided in its May meeting to maintain aggregate cartel quota output at 22.982 mbpd during the third quarter, accommodating increased production from Kuwait within this unchanged global figure. Matching this output level with the OPEC Secretariat's own forecast of a third quarter call on OPEC's output and stocks of 23.76 mbpd would indicate a required run-down of stocks and a general 'tightening' of marketing conditions. As noted above, oil prices rose sharply following OPEC's announcements.

In fact, this market response is somewhat surprising, since both the supply and demand figures given in the previous paragraph are dubious, to say the least. In terms of supply, OPEC's actual output had consistently exceeded this ceiling prior to the May meeting and continued to do so subsequently (reaching 23.73 mbpd in June and 23.95 mbpd in July). On the demand side, a third quarter call on OPEC output and stocks of 23.76 mbpd represents an increase of almost 7% over the equivalent period in 1991. Given the hesitant nature of economic recovery in the principal industrial markets, such a significant projected rise in demand may be over-optimistic.

Nevertheless, the fact that Brent crude has remained at over $20 pb throughout the summer and into early September does suggest a firming of the market compared to earlier in the year.

COAL, ELECTRICITY AND WATER

Nuclear Electric have put forward a proposal to build a nuclear power station twice the size of any other nuclear station in Britain, and second only to the huge Drax coal-fired power station.



Research on behalf of the National Power Company of Iceland has begun to look at laying an undersea power link to Britain. The 1,000 kilometre cable would be several times larger than any present underwater power link. Currently, Icelandic hydro-electric source consumption is 6 billion kilowatt hours a year with an estimated capacity of 30 billion kilowatt hours a year. This link to Britain could serve in the future as a connection into Europe as it is widely expected that by the next century the UK could have an electricity surplus.

A report by Oxford Economic Research Associates envisages the possibility of generators having to give their electricity away free to the pool leading to low pool prices which could cause unstable swings in investment, which is damaging to electricity customers. The reason for the oversupply of electricity to the pool being the dash for gas by the generators, induced by the inadequacy of the pool to give the correct price signals and lack of intelligibility on part of the electricity regulator.

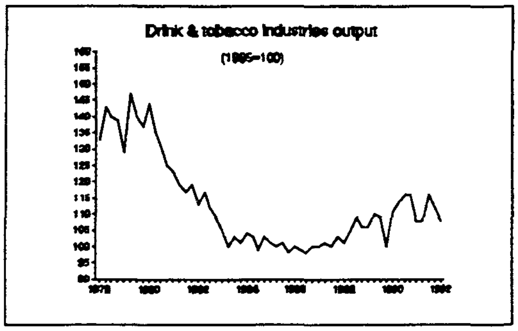
An assessment of the future of the Scottish Water Industry has been commissioned by the Scottish Office. The brief for merchant bank Quayle Munro is to consider a number of alternative methods capable of attracting the estimated £5 billion investment necessary to bring Scottish water up to EC standards in the next decade and a half.

One problem highlighted by Ian Byatt, Director-General of Ofwat, in "The Cost of Quality" is that the subsequent real price rises (and hence amount invested in the industry) in water bills is dependent on which standard of water quality is taken. The EC standard being unquestioning adoption of environmental standards which are derived from non-authoritative cost/benefit analysis.

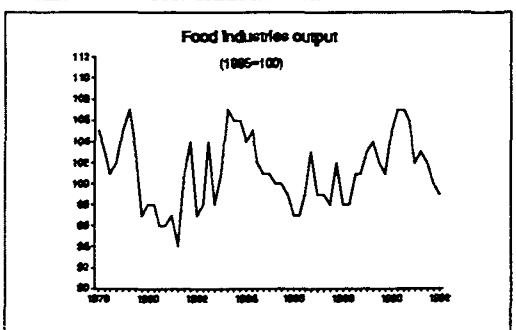
MANUFACTURING

FOOD, DRINK AND TOBACCO

Food industry output in Scotland fell by 1% in the first quarter of this year and by 4% over the course of year to the beginning of 1992. Total industry output is now down by just under 10% compared with around 18 months ago and there are therefore no indications as yet that the recent sluggish output performance shows any signs of change. The Drink and Tobacco index recorded a fall of 4% in the first quarter, the second successive quarterly fall of this amount. The 8% growth in output recorded in the third quarter of last year has now been completely reversed.



However, two major drinks companies have recently reported relatively healthy profit figures. A G Barr managed to more than double pre-tax profits from £1.17m to £2.64m, although last year's figures were distorted by restructuring, including the closure of a factory in England. Turnover, increased much less from £41m to £42.4m, but this was against a background of a 6% decline in the soft-drink market.



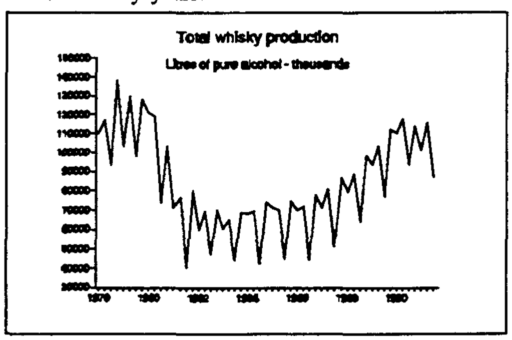
Scottish and Newcastle also reported an increase in profits from £217m to £221m. The majority of profit arose from beer sales, which contributed 43% of the total. Beer volumes fell by 1%, but this is against a background of a 5% fall in the total UK market. 24% of profit arose from the retail division, and here Scottish and Newcastle have benefitted from not having to sell pubs as other major brewers have been forced to the Monopolies Commission report on the brewing industry forced to top four industry brewers to reduce the number of pubs owned to 2,000. With 1,800 pubs, Scottish and Newcastle have not been affected.

However, the fastest growth in profits come from their leisure division, which includes Pontins holiday camps and Center Parcs. Profits in leisure rose 14% and contributed just under one third of total group profits.

Finally, the Drambuie Liqueur Company is to make 21 people redundant as a result of a decision to drop its wine distribution operation in order to concentrate solely on the distribution of Drambuie.

WHISKY

Scotch whisky exports, on which the industry depends, have been falling steadily for the last two years. However, the second quarter of 1992 saw something of a revival, with exports for the six months to June standing at 105.1 million litres of pure alcohol (LPA), an increase of 6.4% on the corresponding period last year. This is a welcome, and rather unexpected, boost to the industry at a time when the home market remains very depressed - UK sales in the year to May were 9% down on the previous twelve month period. Overseas sales of bottled-in-Scotland blends showed an increase in the half-year of 4.7% by volume to 75.9 million LPA, a rather lower percentage increase than that of exports as a whole. In addition, two other points are worth stressing: first, exactly half the increase in the six month period occurred through increases in bulk exports, and second, in volume terms these are still the second-poorest half-year figures for almost twenty years.



Sensibly, producers are continuing to reduce output in the face of still sluggish demand. In the second quarter production of Scotch whisky fell by 9.2% compared with the corresponding period last year, to 105.3 million LPA. As has been the case in recent quarters production of malt whisky took most of the strain, falling 15% in the second quarter to 47.2 million LPA. In contrast, grain production fell by only 3.7% to 58.1 million LPA.

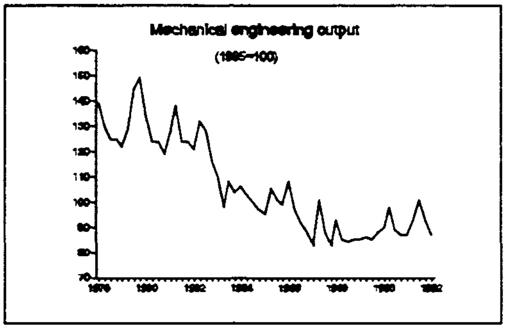
The whisky industry has been very active over the last couple of years in lobbying for the reduction of discrimination against whisky exports, and was very concerned that the EC tax harmonisation proposals would, in their original form, have established a very marked degree of discrimination in the treatment of whisky (and other spirits) relative to wine and beer. The results of the provisional agreement reached in late July by EC finance ministers is therefore better than was feared at one time, but worse than it would be in an ideal world. The minimum level of duty on spirits was provisionally decided at 550 ecus per hectolitre of pure alcohol, less than half the original proposal of 1118.5 ecus per hlpa. If adopted, this proposed level of duty will still result in in-built discrimination against spirits, but will at least mean that no EC country will have to increase the price of Scotch whisky as a direct result of EC-determined minimum excise rates.

Interestingly, the provisional agreement also requires the European Commission to take into account competition between different categories of alcoholic drinks when reviewing the rates of excise duty, an issue which the Scotch Whisky Association has always argued is of great importance. Indeed, the SWA was party to a report produced in 1991 which argued that there was strong competition between different types of alcoholic drinks, and that the proposed structure of excise duty was clearly discriminatory against spirits and economically unjustified. However, despite all the rhetoric about open internal markets the EC is essentially a political beast, and it is doubtful if the clout of the wine and (to a lesser extent) beer producers can be sufficiently resisted to remove such discrimination entirely.

In part because of the unfinished business with Whyte & Mackay, the interim results of Invergordon Distillers were even more eagerly awaited than normal. In the six months to the end of June profits rose by 11.5% to £14.6 million, with volume sales of both whisky and white spirits rising during the half-year. Much of Invergordon's business comes from the own-label market, but the company is making a serious attempt to build up its own portfolio of brands. The Cluny brand is to be launched in the UK, with a market position lying between the standard blends and the supermarket own labels. In a declining home market Invergordon must be very sure that Cluny, a good seller in export markets, can compete in an increasingly competitive sector. In the shorter term, by the time of the next issue of the **Commentary** we should know whether Whyte & Mackay intends to relaunch its takeover bid for Invergordon. The American-owned company still holds 41.3% of Invergordon, and is free to renew its bid from early November.

MECHANICAL ENGINEERING

The industry suffered a further set-back following the collapse in the fourth quarter last year, with a 6.5% fall in output in the first quarter of this year recorded in the latest index of Production and Construction from the Scottish Office. These consecutive substantial falls are a cause for concern, however, the quarterly figures do not adequately reflect the performance of Scottish Mechanical Engineering relative to the United Kingdom. The continual decline in the U.K. industry since 1990:3 still shows no sign of an end yet. On a year on year basis, the Scottish index shows a growth rate of 3.3% over the period 1991/1990, compared with a 10.7% contraction in the U.K. as a whole over the same period.



The latest Scottish Chambers Business Survey results also show a pretty uncertain picture. So far as the general business situation is concerned, a balance of 17% of firms were more optimistic, compared with 2.9% in the first quarter.

This soar in business confidence was certainly not backed up by the total volume of new orders. It fell in a net 10.2% of firms compared with 1% in the previous survey. However, business confidence might have been partly boosted by the improvement in the sales performance, with a net of 3.4% of firm reporting down in sales compared with 10.5% in the first quarter. The Scottish and U.K. markets still attracted the most blame. New orders and sales within Scotland fell in net 14.6% and 6.8% of firms respectively but trade with the rest of the world continued to improve. During the current quarter overall orders are expected to recover in a net 7.2% of firms but sales are expected to fall in a net 3.2%. Sales to Scotland and the U.K. are set to fall in a net 9.6% and 10.6% of firms. Nets of 14.3% and 7.2% of firms expect orders and sales to improve with the rest of the world, down from 22.6% and 7.9% respectively in the first quarter.

Capacity utilisation fell slightly to 74% and was lower than the same time last year in a net 22.1% of firms in the survey. Stocks of finished goods and raw materials were down and are expected to be reduced further in the current quarter. Investment in plant and equipment declined in the survey period in a net 9.7% of firms. In the current quarter this decline will continue, but only in a net 1.1% of firms. For those who have invested the main incentives were increased efficiency (34%), replacement (28.3%) and capacity expansion (20.8%). 80.7% of the firms in the survey ranked orders or sales the number one factor in limiting their output.

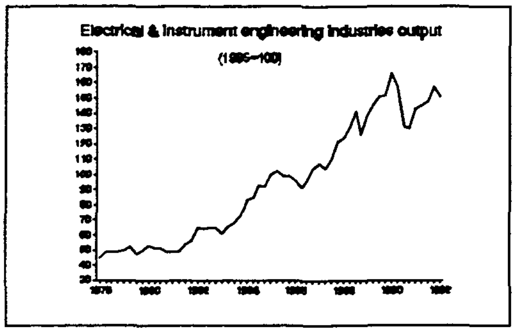
Total employment fell in the second quarter in a net 7.4%

of firms, and is expected to fall again in the current quarter in a net 1.9% of firms. The worst hit were and will continue to be female and part-time employment. More firms are repeatedly relying on short time working.

On balance, wages and salaries did not increase in a net 12.2% of firms. In the 43.9% of firms which granted increases, wages and salaries rose by 5.6%. A net 22.6% of firms intended to increase provision for training, down from 27.3% in the first quarter. New employment is hardly likely, as a net 14.2% of firms did not attempt to recruit new staff compared with 3.8% in the previous survey. More firms were reporting increased difficulty in recruiting suitable staff in particular occupations (professional and technical) in the second quarter than in the first quarter, though on balance a net 76.2% of firms did not experience recruiting difficulties.

ELECTRONICS

The index of production for the electronics sector fell back by 4% in the first quarter of this year, slightly greater than the 3% fall recorded across all manufacturing. Overall, the industry shows no sign as yet of recovery from its current sluggish state, and the index figure of 151 (1985=100) still remains below the peak of 169 recorded at the beginning of 1990.

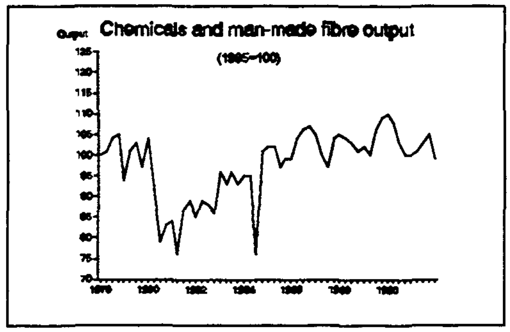


Reflecting this sluggishness, there have been very few developments in the company sector in recent months. However, two small new inward investments have been announced, the first of which is the decision by the American conglomerate Teledyne to invest £1m in a facility at Cumbernauld which will assemble and test solid state relays, an initial step in serving the European market with products previously wholly manufactured in the US. The plant is expected to employ around 40 people when it becomes operational next year.

Secondly, Motorola is also planning to invest £1m in a new facility at Livingston, which will carry out process development research. The new plant is expected to employ around 40 people and will undertake development work on automation, computer integrated manufacturing and software. The centre is the company's first such facility to be located outside the USA.

Finally, the rationalisation and dispersal programme undertaken by Ferranti in the wake of the ISC debate appears to be beginning to pay some dividends. The company recently reported a reduction in losses to £39.6m, which followed a loss of £98m in the previous year. Following both rationalisation and a number of disposals (most notably of the radar division to GEC), Ferranti's total UK employment has fallen to 5,000. In 1989, it employed 27,000.

CHEMICALS AND MAN-MADE FIBRES



The Index of Production and Construction, released in August, reveals that growth in this sector fell steeply in the first quarter of this year. Quarter on quarter growth declined by 5.0% compared to the 6.0% growth registered in the previous three months. The U.K. did not register any growth in the three months to March 1992. Annual growth in the Scottish Chemicals industry remained unchanged while the U.K. industry grew by 3.0%.

The latest Scottish Chambers Business Survey, providing a view of the second quarter of 1992, shows that this downward trend in the sector continued throughout the first half of the year. Business optimism declined for a net 6.0% of respondents when compared to the previous three months.

Demand in the sector, measured by trends in total new orders and sales, followed a rising trend in the second quarter. The rising trend resulted from an increase in exports to the rest of the world. Trade with Scottish and customers from the rest of the U.K. generally declined. In the present quarter trade with Scottish firms is expected to increase.

Capacity utilisation fell to 77% for a net balance of 12.9% of firms. Stocks and work in progress fell in the second quarter. Investment intentions for plant and equipment were revised upwards in a net 9.3% of firms and are expected to rise further.

The trend in total employment remained unchanged but is expected to rise in a net 3.1% of firms. The largest falls were experienced in sub-contractual and self employment. Overtime fell in a net 13.3% of cases and is expected to fall further.

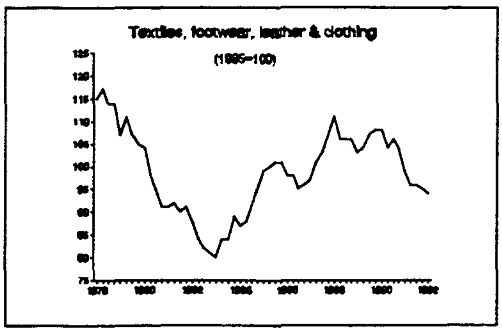
Wage increases of an average 9.2% were granted in 28.1% of firms. A significant 51.5% of firms attempted to recruit staff in the second quarter and 25.8% expect to increase their training provision in the three months to September. Retaining staff was not considered to be a problem.

The problems currently faced by the industry are the direct result of recession in the world economy and the overcapacity built up in the late 1980s (see QEC March 1992). The extent of overcapacity in Europe will be exacerbated by the proposed construction of an additional four Petrochemical plants - BP Chemicals, Enichem of Italy and Veba and BASF of Germany - by 1994. This is expected to add 2 million tonnes to the current output.

It is generally considered that European Companies will not see a swift return to late 1980s profit and margin levels once the recovery starts. This is due to the combined effect of the weak US dollar and expansion in the Asian market. Improving optimism will boost production in Asia, further augmenting European overcapacity. At the same time, as Asia becomes more self-sufficient, Middle Eastern producers will divert trade towards Europe, further reducing prospects.

In Scotland attention has been focused on the chemical works at Grangemouth. KPMG Management estimate that some £80 million needs to be spent on effluent treatment before the plant satisfies new EC directives.

TEXTILES, CLOTHING, FOOTWEAR AND LEATHER



The index of output in this sector in Scotland was unchanged in the first quarter of this year, for the third quarter in succession, a situation also reflected across the UK as a whole. Industry output in Scotland has now fallen by 8% over the last year.

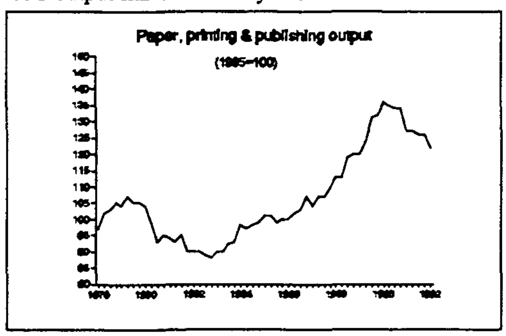
However, some tentative signs that a recovery may be beginning to emerge are shown by figures from the trade organisation, the Apparel, Knitwear and Textile alliance (AKT), who estimate that export sales increased by about 10% to £1.1bn in the first quarter, although this rise appears only to have compensated for depressed sales in the home market. Most new sales have been to Southern Europe, with some to the CIS.

There continues to be a good deal of concern amongst Scottish manufacturers about quota abuses by Chinese manufacturers, discussed in recent issues of this Commentary. Although there are signs that the illegal routing of Chinese imports into Europe has been plugged, the Scottish Cashmere Association is currently considering raising a private action in the European Court of Justice against the Commission and the customs authorities of France, Germany and Italy. The Association is currently lobbying for government support for the pursuance of any claim.

Finally, the Elderslie carpet manufacturer Stoddard Sekers has seen a 30% rise in profits to £3.3m. The company merged to increase overall turnover by over 7% despite a fall in the UK market of over 10% and sales in Europe also increased. Last month, Stoddard Sekers also purchased BMK carpets, who are based in Kilmarnock.

PAPER, PRINTING AND PUBLISHING

The latest Index of Production and Construction, which refers to the first quarter of 1992, indicated a 3% decline in production in the Paper, Printing and Publishing Sector since the fourth quarter of 1991. Since the first quarter of 1991 output has declined by 5%.



Evidence from the latest Scottish Chambers' Business Survey reported a decline in optimism in the second quarter of 1992, although the balance of optimism remained positive. Total new orders increased for a net of 4% of firms and total sales increased for a net of 9% of respondents. Investment in plant and equipment increased for a net of 5% of firms however a net of 5% expect a decline in the third quarter. Total employment decreased for a net of 5% of firms and a net of 12% of firms expect total employment to decline in the three months to September. 34% of firms attempted to recruit in the second quarter and 25% of these firms reported difficulties in recruiting suitable clerical and skilled manual staff.

Inveresk, the Fife-based speciality paper maker, made £5.5 million pre-tax profits in its first full year under the new management team. Exports have increased to 41% of sales and £5 million was invested in its continuing capital spending meaning that the group is well placed for its planned stock-market flotation next year.

Jefferson Smurfit bought the Glasgow Based waste paper plant, SCA Maybank Recycling Scotland from the Swedish company SCA for an undisclosed sum. The company will now trade as Smurfit Waste Paper.

Tullis-Russell lost more than £100,000 in 12 hours after production was brought to a standstill by toxic algae seeping from Loch Leven. The company lost 130 tonnes after the algae clogged up filters and machines were shut down.

The Edinburgh based publishing company Insider publications (IPL) best known for its business magazine *Scottish Business Insider* sold *North West Business Insider* to the local management team. IPL has also shelved expansion plans but does plan to further invest in *Scottish Business Insider* and *Flyer* magazine. The Manchester Buy-out team was backed by The Royal Bank of Scotland and 3i.

German recycling legislation has led to a glut of cheap waste paper in mainland Europe and this has enabled Continental recycling companies to obtain their raw materials more cheaply than UK companies. UK companies as a result are less competitive and this has led to the UK's paper recycling rate to decline, and a reduction in investment is predicted.

SERVICES

FINANCIAL SECTOR

Bankers must be wondering if the open season on British bankers will ever end. Not satisfied with disastrous profit figures, Barclays for example reporting a half year loss and the Royal Bank providing gloomy statements on its likely loan exposure as well as being pursued by a £418m writ, the Press have been rabble-rousing by claiming that charges to personal customers must go up substantially to meet the banks' losses elsewhere. The Bankers lot is not a happy one!

And yet, how reasonable are all these complaints and what is the outlook for banking? It is common at the moment to see bankers castigated for their disastrous third world loan experience in the late 1970's and early 1980's, and more recently for their problems with lending on commercial property and to corporate customers. It would be difficult to defend in many cases the banks third world debt exposure and record in this area of lending but is the same true of their recent experiences? Could they reasonably have known the likely severity of the recent recession and its impact on the commercial property market in advance? It is true that warning signals of the potential glut of office properties in London were available for some considerable time but with their lending secured against land and property it was perhaps not too unreasonable for them to expect that property loans would be safe enough. The earlier experiences of the secondary banking crisis of the early seventies should perhaps have acted as a brake and a warning but there was no shortage of commentators suggesting that we had at last broken out of the stop-go economic cycle and that we could look forward to continued and sustained growth.

By the same token, current experience with corporate and domestic bad debts could hardly have been forecast. The severity of the recession had not generally been predicted or expected and indeed, at the time many of these debts were contracted probably could not have been predicted since we were not members of the ERM and the government's commitment to it was far from clear. The nature of banking is at least in part, to offer lending facilities to customers. Diversification, both international and domestic between different businesses, will reduce risk but there is little that can be done when severe recession hits not just the UK but also the international economy, and when it hits virtually all parts of a bank's domestic business. In the language of capital market theory, a major element of risk is market risk and this risk is impossible to diversify away. All banks will be affected to a greater or lesser extent by the impact of economy wide market forces.

This is not to say that nothing can be done when faced with market risk. One reaction to the volatility of earnings is to reduce risk exposure by turning down many of the riskier propositions that are offered for lending and investment. However, it must be remembered that this reduction in risk may have a price, a more sluggish increase in profits when the economy turns up. Profit is a reward for risk. This is as true in banking as in any other activity. Reduce risk and the opportunity for profit is reduced. If reducing risk is likely to have expensive consequences in the future what else can bankers do to mitigate the problems? Two obvious alternatives present themselves, a reduction in costs through increased efficiency, and an increase in margins through higher charges and the shedding of unprofitable business.

The recent concern over potentially higher charges reflect an early response to the latter process of increasing margins and reducing the burden of unprofitable business. A number of sources have claimed that banks 'rely heavily on corporate customers for the generation of account charges..[with]...cross-subsidisation of the personal sector'(1). In this environment it is hardly surprising that they should seriously contemplate and probably implement increased charges for personal banking services. The benefits of the endowment effect from non-interest paying current accounts were almost certainly reduced over the 1980s whilst at the same time the provision of free banking generally benefits those with low balances and a high number of transactions. Unless one believes both in continuing bank loyalty and a life cycle in banking transactions with low balances

(1) See for example, the interesting article in the Bank of England Quarterly Bulletin, November 1991 by Richard Colwell 'The performance of major British banks 1970-90'.

evolving into much larger balances in the future it is difficult to see the justification for cross subsidies between consumers. Why should a corporate customer subsidise a domestic customer, or a high balance domestic consumer subsidise a zero balance one?

There is of course, a continuing fear of competition from the building societies in the retail market and the loss of business to them. But the building societies are not, at present, without their problems. Problems with bad debts will undoubtedly pressure the building societies into seeking wider margins and reviewing the services and cross subsidisation that takes place between different groups of their clients. A move by the banks to force their less profitable clients to pay more or to take their business elsewhere would almost certainly be mirrored by similar actions elsewhere. One can understand the reluctance of the banks to relish the opprobrium of being the first to increase their charges but it is difficult to believe that they would be alone.

The other path before the banks is to increase efficiency. Such a process has been going on for at least a decade and lies in part behind the claims that the banks will increase their charges. Banks have to consider on a continuing basis the actual and potential profitability of each of their different lines of business. They must also control costs. The reduction in the number of branches and more recently, the shedding of staff, are part of this process whilst the replacement of back office processing staff by computers and technology has been a continuing process for several decades. We may expect these trends to accelerate, held back perhaps only by the costs, both direct in terms of purchasing software and hardware, and indirect in the costs and speed of retraining staff as banks embrace a wider variety of financial products able to offer their customers more services. The possibilities of selling a wider variety of financial services have been talked about for some years. Many of the possibilities remain unrealised particularly those to be achieved through the branch network. It remains to be seen whether the branches can ever be made to yield up their tantalising potential as financial service shops. The buying habits of UK customers in the financial sector are perhaps too well established and entrenched for such possibilities to come to fruition.

The outlook then is likely to be continued retrenchment in banking. The banks both in Scotland and the rest of the UK will be seeking to restore lost profitability. Some relief may come from more realistic charges and widened margins to reflect risk experience, but most will have to come from improved efficiency through lower costs and greater sales. Greater sales will be difficult to achieve at least in the short term except perhaps in the sales of savings products (a reflection of the substantial rise in the UK savings ratio). We should expect to see more closure of bank branches, more redundancies in staff, higher bank charges and increased borrowing costs. It is too much to be hoped that Scotland will be spared all of these. Head Office activities should be particularly carefully scrutinised, but the reduced impact of the recession in Scotland at least suggests that branch profitability may not have fallen as dramatically here as in other parts of the UK and act as some restraint on the cost cutting process.

DISTRIBUTIVE TRADES

Continuing the pattern of the previous survey, a net majority (9%) of wholesale respondents to the most recent Scottish Chambers' Business Survey had experienced a lower trend in second quarter sales than a year earlier. However, on balance, wholesalers were more optimistic in June concerning the business environment than they had been in March. Reflecting increasing optimism, a (15%) net majority of wholesalers expected an improvement in sales performance during the third quarter.

Conforming to the trend established over the previous year, a net balance (10%) of wholesalers reported declines in employment. As in previous surveys, job losses were recorded in all employment categories: male, female, full-time, part-time and temporary. Wholesalers in June were predicting a small net increase in third quarter employment, entirely concentrated in full-time males. However, it should be noted that an increase in Q2 employment had (erroneously) been forecast in March.

In terms of individual Chamber areas, the net changes in business optimism reported in the June SCBS are shown in Table 1.

TABLE 1 WHOLESALER OPTIMISM

Chamber area	Net % more optimistic Q2 1992	Q1 1992
Fife	N/A	-14*
Central	+20*	-17*
Edinburgh	+24	-22
Aberdeen	+17	+ 6
Glasgow	-15	- 9
Dundee	+35	-14

* based on less than 10 responses

Scottish retailers continued to enjoy a rising trend in year-on-year sales during the second quarter, according to a net 12% balance of June SCBS respondents. A substantial majority (plus 27%) expected further improvements in sales performance during the third quarter. On balance, retailer optimism was higher in June than in March and was also higher than it had been in June 1991.

In view of the improving sales performance, it is disappointing that the trend in falling retail employment continued during the second quarter. On balance, job losses were recorded in all broad categories apart from part-time, which showed a very small net gain.

Table 2 gives a geographical breakdown of June SCBS retail responses in terms of business optimism.

TABLE 2 WHOLESALER OPTIMISM

Chamber area	Net % more optimistic Q2 1992	Q1 1992
Fife	-16	- 5*
Central	0	+22*
Edinburgh	+19	+10
Aberdeen	+16	-15
Glasgow	+ 7	+ 5
Dundee	+ 9	+ 8

* based on less than 10 responses

TRANSPORT

European transport ministers agreed on an "open skies" programme enabling restrictions on air travel within the community to be removed. The liberalisation will allow from next year, for example British Airways (BA) to fly from Paris to Berlin, where previously they would have to start or end at a British airport. Further, after a four year and three month transition period, an airline will be allowed to provide flights within one country given that the flight originated from their native territory. The final factor in the deal is intended to assist new airlines entering the industry.

EC Transport Commissioner Karel Van Miert anticipated lower air fares as the result of the agreement. However a spokesman for Lufthansa said that whilst some fares will fall, the discounts may not be as steep as previously thought. It could be some time before free-market competition forces fare cutting to get underway.

One more immediate positive side effect of deregulation could be the appearance of more services between European regional hubs, such as the recent new service between Glasgow and Frankfurt, thus avoiding the congestion around London and Paris air traffic control centres.

British Rail (BR) announced increased losses for the year to March of £150 million. The unexpectedly large deficit could make it more onerous for the government to privatise BR. The unsubsidised InterCity part of the operation is thought to have taken a ten fold drop in profits to about £5 million. Of particular concern is that the freight divisions losses seem to make it unlikely that a single buyer could be found, possibly leading to a few services being bought by the private sector while the rest of the freight network closes down.

A survey of European trains cancellations, adherence to timetables, and total passengers carried showed BR slipping by one place to tenth in the 1991 "euro league".

The Transport Secretary, John MacGregor unveiled the much delayed railways privatisation white paper. The main points in the white paper are: BR will be divided into two parts, one responsible for the track operation and the other accountable for passenger services; stations to be sold or leased; the passenger carrying operation to be split up and franchised; the freight operation to be sold; and a watchdog body to be formed.

In fact ScotRail could be amongst the first operations to be privatised, with a management buyout attempt predicted by John MacGregor. However Cyril Bleasdale, director of ScotRail was decidedly reserved in response to the possibility of a management buyout bid.

Richard Branson has shown great interest in running airline type services on InterCity routes. Virgin Rail being one of forty companies currently in discussion with the minister for public transport.

A feasibility study into the electrification of the Edinburgh/Aberdeen rail line was declared by Mr.Bleasdale. This follows three years of campaigning by the pressure group CREATE.

Lanarkshire Development Agency advanced £9.7 million towards the Channel Tunnel Freight Village to be built at Mossend creating more than 800 jobs at the first stage.

Scottish Secretary Ian Lang approved the £24 million Skye Bridge project, whilst refusing to accept the public inquiry recommendation that the government should subsidise tolls. The bridge is expected to open in three years.

A private operator has been employed to collect tolls at the Erskine Bridge.

The Scottish director of the Confederation of British Industry supports the building of a second Forth road bridge. The recommendations follow the Scottish Office consultation paper "Setting Forth" looking at methods of relieving the pressure on the local transport system.

THE LABOUR MARKET

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. The most recent revisions of the employment data are presented in Table 1.

September 1991 is the most recent date for which employment data are available using both the old and the recently revised benchmarks. Total employment at this date is estimated to be 1,984 thousand rather than 1,958 an increase of 26,000 (1.0%). Estimates of male employees in employment increased noticeably by 19 thousand (1.9%) in September 1991 from 1011 to 1030 thousand. Estimates of total female employees have been revised upwards by 7 thousand (0.1%) to 954 thousand. However, estimates of part-time female employment actually fell by 4 thousand to 414 thousand in September 1991, a fall of 1.4%. There is also a decline in estimated "full time equivalent" employment of about 11 thousand ("part-time" assumed to be "third-time"), or 0.69%.

Nor is it simply the sex and part-time/full-time composition of employees in employment which is affected by the revisions: there are also changes at the sectoral level. The upward revisions in the employment estimates are heavily concentrated in the service industries. Indeed of the total increase of 23 thousand in estimated employment (at September 1991), 21 thousand is attributable to the service industries. Within the production and construction industries manufacturing employment has apparently been underestimated (by 6,000 in September 1991), whereas employment in the energy and water and the construction industry has been slightly overestimated (by 1,000 and 2,000 respectively at September 1991). Within manufacturing, it seems that recent estimates have overstated employment in metal related industries and chemicals and vehicles (by about 8,000) and underestimated employment in other manufacturing (by 14,000). Within services employment in banking etc has been significantly under recorded (by over 21,000 in September 1991, whereas that in Public administration, education and other services has been over-estimated (by about 12,000).

The most recent employment data are for March 1992, and those are also reported in Tables 1 and 2. Overall, total employees in employment rose by 3,000 (0.15%) in the year to March 1992. Male employees in employment fell by 11,000 (1.1%), and total female employment increased by 14,000 (1.5%). Part-time female employment rose by 5,000 (1.2%), and full-time female employment actually rose by 9,000 (1.7%). If part-time is interpreted as "one-third time", then full time equivalent employment actually fell slightly. The number of employees in employment in production and construction fell by 35,000 over the year to March 1992, but numbers employed in services increased by some 38,000, a pattern consistent with the increase in female employment.

Over the year to March 1992 the biggest employment gains were registered by: public admin. etc. (21,000) and banking etc (17,000). Construction again registered the biggest employment losses (16,000), but employment also fell in each manufacturing industry (by a total of 18,000).

Vacancies: Stocks and Flows

Over the year to July 1992 unfilled vacancies at job centres in Scotland fluctuated between 15.6 (15.8) and 20.0 (20.9) thousands on a seasonally adjusted (unadjusted) basis (Table 3). Vacancies rose by 1.4 thousands from 16.2 to 17.6 thousands over the year to July 1992 on a seasonally adjusted basis. The net increase 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 July 1992 inflows of 18.8 thousand were only slightly 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, fell in September and remained constant in October of that year. In contrast unemployment continued to rise in the UK as a whole. However, unemployment then increased in 8 of the 9 months up to and including July of this year, the exception being March 1992 in which unemployment by 0.2 thousand.

Over the year to July 1992 total unemployment rose by about 14.3 thousand, from a low of 225.6 thousand or 0.6 full percentage points. This represents a major increase in the level of unemployment of 6.3 per cent. In fact the aggregate figures reflect an increase in female unemployment of 1.0 thousand, and an increase of 13.3 thousand in male unemployment.

Table 6 presents recent flows into and out of the unemployment stock. In July 1992 inflows were, at 48.9 thousand, about 4.5 thousand more than in the same month of 1991. Outflows were, at 33.3 thousand, 2.8 thousand more than in April 1991. If gross outflows were maintained at their July 1992 level unemployment stocks could turnover in just over 7 months.

BUSINESS SURVEY EVIDENCE

Further, largely qualitative, evidence as to the Scottish labour market is provided by the results from the latest Scottish Chambers' Business Survey.

The average level of wage and salary increases continued to decline in most sectors in Scotland. Manufacturing, Construction, Wholesale Distribution and Finance in the second quarter of 1992. slight increases in the average settlement were reported for Retail and Tourism and Leisure.

Comparing average increases between the second quarters of 1991 and 1992 indicates a fall in quarterly increases of between 2.3% to 3.3%. The decreases at the sectoral levels have been: 2.3% in Manufacturing, 2.8% in Construction, 2.7% in Wholesale, 3.3% in Retail, 2.6% in Finance and 2.4% in Tourism and Leisure.

As table 7 indicates, there has been a general decline in the average quarterly increase in wages and salaries since the first quarter of 1991. Although on an annual basis the current average increase in Manufacturing is 5.9%, in Construction 6.4%, in Wholesale 6.5%, in Retail 6.4%, in Tourism/leisure 5.5%, and in Finance 4.9%. The results suggest a slight slowing down in the rate of decrease in average settlements. However, these average increases are still higher than the norm proposed by the Government for the public sector. Any prolonged effort to reduce the rate of increase in the public sector relative to the private sector is likely to engender both recruitment and retention difficulties as well as higher wage and salary claims.

There is little evidence of any marked regional variation in average settlements in any sector.

The continuing weakness in the demand for labour underlies the trends in total employment for the second quarter of 1992. As table 8 shows, downward trends in employment levels were evident in all sectors, apart from Tourism and Leisure. Downward trends in total employment levels have now been reported for the past 21 months in the Manufacturing, Construction, Retail and Finance sectors, and for the past 12 months in Wholesale Distribution. The slight upward trend in total employment in Tourism/Leisure most probably reflects seasonal factors rather than any general upturn in the sector.

However, compared to both the same period a year ago and the previous quarter, the downward trends are, with the exception of Wholesale, less severe. The rate of decline in total employment in Manufacturing has consistently slowed down over the past three quarters, but has accelerated in Wholesale Distribution. There is little change to the rate of decline in total employment in Construction and Finance. Retail and Tourism and Leisure have shown the best improvement over the past twelve months, although a decline is still evident in Retail.

Within Manufacturing, Chemical respondents reported no change to total employment levels, and expect a slight upward trend in employment during the third quarter. A downward trend in total employment was reported in Mechanical Engineering, this is not expected to change in the third quarter. The trends in total employment in Electronics were strongly downward in the second quarter, but this downward trend is expected to slacken in the next quarter. Food Drink and Tobacco respondents similarly reported a downward trend in total employment during the second quarter. but Textile respondents, whilst reporting an upward trend in total employment in the second quarter, expect total employment to fall in the third quarter.

At the regional level only Fife managed to sustain increases in manufacturing employment. The positive trend in manufacturing employment turned downwards in Aberdeen and the Highlands. The rate of decline in other regions generally slackened during the second quarter. Both Fife and Edinburgh reported increasing use of sub contractors and Edinburgh a further increase in part time labour.

Downward trends in construction employment were reported in all regions, with Glasgow reported the least decline in male full time employment.

Only Central reported an increase in Wholesale employment, although in Edinburgh employment levels remained unchanged. In Retail only Aberdeen and the Highlands reported stable employment levels, elsewhere declining employment levels were reported.

Positive trends in Tourism and Leisure employment were reported in Aberdeen, Fife, Dundee, and stable levels in Central and Glasgow. The slight decline reported for Edinburgh represented a major improvement over the past quarter.

Notwithstanding these improvements there is no evidence as to any substantial improvement in the demand for labour at present. Current high levels of unemployment are increasingly likely to persist well into 1993.

A further indication as to the level of demand for labour is provided by the percentages of respondents seeking to recruit labour. Fewer respondents in all sectors, as table 9 indicates, with the exception of Tourism and Leisure, sought to recruit staff in the second quarter of 1992. The increased recruitment levels in Tourism and Leisure would appear to be largely seasonally based. However, the effects of any seasonal factors can be minimised by comparing the second quarters for 1991 and 1992; this shows that in all sectors, including Tourism and Leisure fewer firms sought to recruit staff during the second quarter of 1992 as compared to the same period in 1991, reinforcing the impression no increase in the demand for labour over the past twelve months.

A comparison of the results for the second quarter with those for the same period in 1991 reveals few changes in the percentages of firms reporting increased recruitment difficulties (see table 10).

TABLE 1 EMPLOYEES IN EMPLOYMENT IN SCOTLAND: INDUSTRY AGGREGATES ('000s)
(Figures in square brackets reflect the 1989 and 1990 LFS. The latest estimates reflect the impact of the 1991 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] 1,043	[943] 943	[406] 404	[1,983] 1,986	[597] 594	[465] 464	[405] 405	[1,356] 1,362
	Dec	[1,034] 1,043	[946] 949	[417] 416	[1,980] 1,992	[591] 589	[462] 462	[401] 403	[1,362] 1,376
1991	Mar	[1,021] 1,035	[936] 941	[412] 413	[1,956] 1,976	[573] 571	[449] 450	[388] 391	[1,356] 1,377
	June	[1,015] 1,031	[944] 953	[414] 417	[1,959] 1,984	[562] 561	[443] 444	[383] 385	[1,368] 1,394
	Sep	[1,011] 1,030	[947] 954	[418] 414	[1,958] 1,984	[560] 561	[443] 448	[383] 389	[1,370] 1,394
	Dec	1,030	959	420	1989	550	441	383	1,411
1992	March	1,024	955	418	1979	535	430	373	1,4150

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	Distribution Hotels & Catering: repairs 6	T'sport & Comm. 7	Banking, insurance & finance 8	Public admin, education & other services 91-92
1979		48	72	82	258	265	155	[391]	135	123	[573]
1989	June	[29]	[58]	[47]	[166]	[202]	[125]	[385]	[116]	[174]	[656]
	Sep	[30]	[59]	[48]	[168]	[207]	[124]	[387]	[116]	[176]	[664]
	Dec	[28]	[60]	[49]	[169]	[206]	[122]	[384]	[116]	[177]	[676]
1990	Mar	[28]	[61]	[49]	[168]	[203]	[121]	[374]	[117]	[179]	[678]
	June	[30]	[61]	[47]	[170]	[207]	[120]	[387]	[115]	[180]	[683]
	Sep	[30] 29	[63] 59	[47] 43	[172] 167	[212] 195	[120] 130	[392] 416	[115] 113	[182] 195	[685] 639
	Dec	[27] 27	[61] 59	[44] 41	[169] 164	[189] 197	[129] 127	[412] 417	[108] 112	[184] 196	[657] 652
1991	Mar	[28] 28	[61] 60	[43] 39	[165] 158	[181] 193	[123] 121	[404] 410	[106] 110	[189] 205	[657] 651
	Jun	[29] 28	[60] 59	[42] 38	[161] 153	[180] 194	[120] 117	[408] 415	[107] 111	[187] 205	[665] 662
	Sep	[29] 28	[60] 59	[42] 38	[161] 157	[180] 194	[116] 114	[408] 415	[108] 112	[182] 203	[673] 664
	Dec	28	58	38	155	190	109	418	111	218	664
1992	Mar	28	58	37	153	183	105	411	110	222	672

* 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
Feb	18.7	0.8	0.4	15.8	0.4
Mar	19.0	0.3	0.6	16.9	0.6
Apr	19.9	0.9	0.7	20.1	0.5
May	20.0	0.1	0.4	20.7	0.6
June	19.4	-0.6	0.1	20.9	0.7
July	17.6	-1.8	-0.8	18.4	0.7

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
Feb	20.1	0.1	18.7	-0.4	15.6	-0.2
Mar	22.4	0.4	22.3	0.6	18.8	0.5
Apr	22.9	1.1	22.1	0.2	17.7	0.2

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	160.4	54.0	214.4	4.8	2.6	8.5
May	163.9	55.2	219.8	4.7	3.3	8.7
Jun	166.5	55.4	221.9	2.8	3.3	8.8
Jul	169.4	56.2	225.6	3.7	3.8	8.9
Aug	170.9	56.1	227.0	1.4	3.5	9.0
Sep	170.4	55.3	225.7	-1.3	2.7	9.0
Oct	171.0	54.7	225.7	0.0	1.9	9.0
Nov	172.6	54.5	227.1	1.2	1.3	9.0
Dec	173.6	54.3	227.9	1.4	0.9	9.0
1992 Jan	176.0	54.9	230.9	3.0	0.9	9.2
Feb	176.2	55.3	231.5	0.6	0.9	9.2
Mar	175.5	55.8	231.3	-0.2	0.9	9.2
Apr	177.7	56.2	233.9	2.6	1.4	9.3
May	179.1	56.1	235.2	1.3	1.4	9.3
June	180.1	56.4	236.5	1.3	1.4	9.4
July	182.7	57.2	239.9	3.4	1.5	9.5

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
Feb	33.7	35.1
Mar	31.8	34.2
Apr	33.5	33.1
May	30.4	34.6
June	32.9	34.4
July	48.9	33.3

Source: Department of Employment

Table 7 Wage and salary increases

	4/90	1/91	2/91	3/91	4/91	1/92	2/92
Manufacturing	9.4%	9.1%	7.6%	6.7%	6.0%	5.5%	
Construction	9.5%	9.5%	7.8%	6.8%	6.2%	7.6%	
Wholesale	8.4%	11.0%	8.4%	7.4%	6.0%	7.0%	
Retail	11.1%	8.4%	8.8%	8.1%	6.6%	5.3%	
Tourism/leisure	8.3%	9.3%	7.8%	6.8%	4.8%	4.9%	
Finance	5.0%	9.6%	6.4%	6.4%	5.4%	4.1%	

Table 8 Trends in total employment [net balances of responses]

	4/90	1/91	2/91	3/91	4/91	1/92	2/92
Manufacturing	- 5%	-20%	-16%	-12%	-17%	-16%	-7%
Construction	-27%	-33%	-39%	-26%	-33%	-31%	-23%
Wholesale	+ 2%	+ 3%	+ 2%	- 2%	- 5%	- 5%	-10%
Retail	- 4%	-19%	-27%	-15%	-13%	-11%	-5%
Tourism/leisure	+ 1%	-12%	-29%	- 5%	-14%	-27%	+3%
Finance	-23%	-22%	-27%	-31%	-29%	-46%	-24%

Table 9 Percentage of firms recruiting employees

	3/90	4/90	1/91	2/91	3/91	4/91	1/92	2/92
Manufacturing	65%	50%	43%	54%	48%	42%	44%	45%
Construction	61%	46%	53%	40%	41%	40%	35%	32%
Wholesale	67%	47%	49%	46%	49%	42%	43%	36%
Retail	55%	46%	38%	47%	47%	46%	36%	49%
Tourism/leisure	79%	60%	52%	75%	71%	54%	53%	72%
Finance	39%	23%	31%	27%	26%	27%	26%	22%

Table 10 Percentage of firms reporting increased difficulties in recruiting staff

	3/90	4/90	1/91	2/91	3/91	4/91	1/92	2/92
Manufacturing	17%	19%	16%	12%	15%	13%	10%	9%
Construction	18%	25%	10%	17%	14%	12%	14%	18%
Wholesale	19%	15%	18%	16%	10%	11%	5%	4%
Retail	12%	21%	14%	9%	12%	10%	11%	16%
Tourism/leisure	29%	37%	24%	22%	31%	18%	12%	15%
Finance	4%	2%	1%	0%	1%	0%	2%	1%

REGIONAL REVIEW

INTRODUCTION

In July, Scottish unemployment increased by 14,394 to stand at 246,176 on an unadjusted basis. This constitutes 9.8% of the Scottish workforce and represents a monthly of 6.2% compared with the June total of 231,782. Male unemployment rose by 6747 or by 3.3% whilst female jobless increased by 7647 or by 14.0%.

July unemployment totals tend to increase due to seasonal factors. When adjusted for seasonality, Scottish unemployment is estimated to have risen by 3400 or by 1.4% which comprises an increase in male jobless of 2600(1.44%) and in female claimants of 800(1.42%). The monthly Scottish unemployment change compares unfavourably with the 1.1% seasonally adjusted increase recorded in GB. However, in July, GB male unemployment rose by 0.9% whilst the female total rose by 1.6%.

Unadjusted Scottish unemployment increased by 5.5% in January but has fallen in every subsequent month excepting April and July. On a seasonally adjusted basis, unemployment totals have risen in every month except March. Thus, the series of well publicised monthly decreases in the unadjusted Scottish jobless has tended to obscure a deteriorating underlying performance.

In the period January-July 1992, seasonally adjusted unemployment in Scotland increased by 9000 or by 3.9%. This underlying rise is greater than that accounted for by the unadjusted figures which record an increase of 4825 or 3.7%. Seasonally adjusted GB unemployed increased by 143,000 or by 5.7% whilst the unadjusted total increased by 94,776 or by 3.7%.

This indicates that, so far this year, Scottish unemployment growth has been weaker than in Britain as a whole. However, June and July are the only 2 months in the last 12 in which GB seasonally adjusted unemployment grew less slowly than in Scotland. In March, the seasonally adjusted Scottish unemployment rate fell below that of GB for the first time since the series began in 1974. In May, the Scottish rate stood at 97.9% of the British rate.

The relatively poorer Scottish performance in the last 2 months has caused the Scottish relative to increase to 98.9% of the GB rate in June and 99.0% in July. Thus although the position has deteriorated in the last 2 months, Scotland's unemployment rate remains marginally below that of GB.

UNEMPLOYMENT IN THE BRITISH REGIONS

In this section, we consider the varying fortunes of GB regional labour markets across the present recession. At this stage we examine the trends in seasonally adjusted unemployment and vacancies. In the next section, we discuss the regional performance of the civilian workforce in employment.

Figure 1 sets out the seasonally adjusted unemployment for Scotland, Great Britain and 3 constructed regions. The South of England comprises London, the South East, South West and East Anglia. Midlands and Wales consists of East and West Midlands plus Wales whilst the North of England encompasses Yorkshire and Humberside, the North West and Northern Region. These definitions apply to all figures and to Tables 2-4 and 6.

Figure 1 indexes regional unemployment with a base at January 1990 and illustrates that the recession has bitten earlier and most severely the further south one looks. For total unemployed, the following picture emerges at July of each subsequent year.

	Jul 90	Jul 91	Jul 92
South of England	106.2	193.4	245.1
Midlands & Wales	99.2	147.7	170.5
North of England	98.1	126.3	137.0
Scotland	95.6	108.0	114.9
GB	100.5	148.8	174.1

At July 1992, the numbers unemployed in the South of England were 2.45 times the pre-recession level as measured at January 1990 whilst GB unemployment is 1.74 times higher. In Midlands & Wales, unemployment is 1.71 times the January 1990 total and 1.37 times in the North of England. Thus far, Scotland has escaped relatively lightly with unemployed 1.14 times pre-recession levels which compares favourably with 1.74 multiple evident in GB.

This regional pattern is evident for both male and female unemployed. Taking January 1990 as our base, the following picture of male unemployment change emerges.

	Jul 90	Jul 91	Jul 92
South of England	107.9	201.4	258.3
Midlands & Wales	101.0	154.7	180.3
North of England	99.7	131.1	143.8
Scotland	96.8	111.7	120.4
GB	102.0	154.6	182.8

In all cases, the growth of male unemployed has been more marked than for the total jobless pool. The position of females is as follows:-

	Jul 90	Jul 91	Jul 92
South of England	101.7	172.9	211.4
Midlands & Wales	94.5	129.0	144.3
North of England	93.5	112.3	117.6
Scotland	92.6	98.4	100.2
GB	96.2	133.1	150.5

Thus, the present recession has engender a faster growth in male unemployment than for females across all regions. In particular, female unemployment change has been particularly muted in Scotland and the North.

As a result of this disparity in regional performance, the unemployment rate differential between 'North' and 'South' has narrowed considerably. Figure 2 sets out regional unemployment rates as a proportion of the British rate for the period January 1989 to July 1992. This figure illustrates the marked convergence of unemployment rates across the present recession with rates in the South rising relatively quickly compared with Scotland and the North. The unemployment relatives are as follows:-

	Jul 90	Jul 91	Jul 92
South of England	70.6	87.8	94.8
Midlands & Wales	101.8	103.7	102.1
North of England	134.5	117.1	108.3
Scotland	145.5	108.5	99.0
GB	100.0	100.0	100.0

In July 1990, the seasonally adjusted unemployment rate in the South of England was 70.6% of the GB rate. This differential has narrowed steadily across the recession to stand at 94.8% at July 1992. In Midlands and Wales, the rate has risen broadly in line with the GB rate resulting in a fairly static relative position. In the North of England, the unemployment declined markedly over the period from 134.5% in July 1990 to 108.3% in July 1992.

The change in the relative position of Scotland is more dramatic than that of the North. In July 1990, the Scottish unemployment rate was 1.46 times the GB rate. By July 1992, the Scottish rate had declined to 99% of the British rate. Thus, on the criteria of unemployment change, Scotland has performed well during the present recession. This is further illustrated in Figure 3 which sets out the annual changes at each month converted to an average monthly basis.

Figure 3 can be interpreted as illustrating the underlying trend in unemployment change. It can be seen that the underlying rate has peaked in all areas. In particular, the annualised change is slowing down dramatically in the 3 constructed regions. All regional forecasters suggest that the rate of change may remain positive this year, next year and possibly beyond. This figure establishes that at no time during the present recession has the underlying increase in Scotland been above those of the UK regions.

The level of unfilled vacancies for the period January 1989 to July 1992 is set out in Figure 4. The series is indexed with a base at January 1989 and shows the monthly position relative to that point. At all points across the recession, vacancies have held up better in Scotland than in the 3 British regions. However, in the recent quarter, the decline in seasonally vacancies in Scotland was 11.6 % which is higher than the GB outturn of 8.4% and the decline evident in other British regions. In Scotland, the bulk of the quarterly fall occurs in July and it will be instructive to see whether this constitutes the start of a more difficult phase in Scotland's recession.

Figure 5 presents the trend in the 'U/V' ratio since January 1989 for both Scotland and Great Britain. The 'U/V' ratio measures the number of unemployed chasing each vacancy. This ratio is a standard indicator of the tightness of the labour market. Figure 5 indicates that, since mid 1990, the numbers of unemployed pursuing each vacancy in Scotland has been below the British average.

In May-June 1992, the Scottish 'U/V' ratio fell below half the GB level. Following the sharp decline in vacancies in July, the Scottish 'U/V' ratio rose to 13.6 which is 54.6% of the GB level. In the South of England, there are presently 29.3 unemployed per vacancy. The ratios for Midlands & Wales and the North are 25.0 and 25.6 respectively. The position of Scotland relative to GB is set out in Figure 6 and illustrates the comparative buoyancy of the Scottish labour market in which the position is worsening less severely than in other parts of the country.

EMPLOYMENT IN THE BRITISH REGIONS

In this section, we examine changes in the demand for labour in Scotland and the 3 broad GB regions. We consider changes in the Civilian Workforce in Employment (CWE) for the period March 1990-March 1991. The CWE comprises 3 elements

(a) Employees in Employment (EE)
(b) Self Employed (SE)
(c) Work Related Government Programmes (WRGP)

We index these series at a base of March 90 in order to establish where employment stands now relative to the peak of the 1980s cycle.

It should be emphasised that, on all criteria, Scotland performed poorly in terms of job creation across the long 1980s cycle in comparison with the Midlands and South. The changes in the CWE for Scotland and GB for March 1980-90 and March 1990-92 are as indicated in table below.

This indicates that, for both employees and self employed, Scottish job creation lagged behind GB across the long 1980s cycle. In consequence, the Scottish CWE, when WRGPs are stripped out, declined by 1.7% compared with an increase of 4.4% in Britain.

	1980-90		1990-92	
	GB	Sc	GB	Sc
EE	-0.9%	-5.6%	-4.3%	1.1%
SE	67.0%	50.3%	-8.2%	14.7%
CWE	6.2%	0.9%	-5.0%	2.0%
CWE-WRGP	4.4%	-1.7%	-4.8%	2.5%

In the 1990-92 period, both Scottish employment and self employment continued to expand whereas the GB trend has been clearly downwards. Scottish CWE-WRGP grew by 2.5% compared with a 4.8% decline evident in GB. Thus, the recent better Scottish unemployment and vacancy performance has been grounded in an overall increase in the demand for Scottish labour. This has not been the case in GB and the British regions.

Employment change over the March 1990-92 period for Scotland and the British regions for both sexes and for full-time(FT) and part-time(PT) workers is as follows:-

Mar 92 (Mar 90 = 100)

	GB	Sth	Mid	Nth	Scot.
Males	93.7	92.4	93.9	93.9	99.7
Females	97.9	96.1	97.8	99.6	102.7
Female FT	95.6	93.7	95.8	97.4	100.3
Female PT	100.9	99.5	100.2	102.2	105.8
FT workers	94.4	92.9	94.5	95.0	99.9
All	95.7	94.2	95.7	96.6	101.1

Examination of this data indicates that, across the present recession, employment has held up better the further north one looks. Thus, by March 1992, total employment in the South of England had fallen to 94.2% of the pre-recession level. This compares unfavourably with the outcome in other areas, most particularly Scotland and the North. Second, female and female PT employment has performed better than male and FT work.

Scotland has performed well over this period. Female PT work has increased by 5.8% and female FT jobs by 0.3%. The growth in PT jobs has been stronger in Scotland than in other areas and Scotland is the only region to have recorded an increase in female FT workers. In addition, the decrease in male and FT workers is slight compared to other areas. The 1.1% increase in Scottish employees has been generated by a clear trend in PT working. This is evident in all areas but stronger in Scotland where full time employment has held up particularly well.

Between March 1990 and March 1992, the number of Scottish employees increased by 21,202 or by 1.1% at a time when British employment fell sharply by 955,722 or by 4.3%. The industrial breakdown of this change is as follows:-

		Britain		Scotland	
SIC	Description	total	% ch	total	% ch
0-1	Primary	-43,375	-6.1	-475	-0.5
2-4	Manufacturing	-528,779	-10.5	-24,792	-6.2
5	Construction	-207,132	-19.7	-26,894	-20.4
6-9	Services	-176,436	-1.1	73,345	5.5
1-5	Production	-564,955	-10.3	-25,515	-5.6
	Services				
6-8	'Private'	-311,615	-3.6	47,695	6.9
9	'Public'	135,179	2.0	25,650	4.0
0-9	Total	-955,722	-4.3	21,202	1.1

The Scottish employment changes are generally more favourable than the GB equivalents. The exception is the Construction sector where Scottish employees have decreased by 20.4% compared with a fall of 19.7% in GB. This is somewhat surprising given that Scottish construction output has held up particularly well in comparison with the national position.

There has been a net loss of 528,779 British manufacturing jobs, half of which have been shed in SIC Division 3, Engineering and Allied Trades. This sector is responsible for the majority of the net reduction of 24,792 Scottish manufacturing employees. Thus, although the Scottish manufacturing sector has been severely affected during the present recession, thus far the shock has been less than in Britain and the GB regions.

The net increase in Scottish jobs is due to a strong trend in service sector. Scottish Service sector employment has increased by 73,345(5.5%) in the March 1990-92 period. This contrasts markedly with a fall of 176,436(-1.1%) evident in GB. In all Service divisions, the Scottish employment change in superior to that in Britain and the 3 GB areas.

The Scottish change comprises an increase of 15,553(3.9%) in Distribution, Hotels and Catering, a fall of 1,246(-1.1%) in Transport & Communication, a rise of 33,388(17.7%) in Banking, Insurance and Finance and an increase of 25,650(4.0%) in (mainly) public services. The performance of Distribution and Finance employment is both noteworthy and surprising. Clearly, Scottish private service employment growth has not been phased by the present recession to any great extent. This may change in the coming period.

Thus, Scottish employment has held up better than in GB and the British regions across the present recession. Scotland did not experience the fast rates of job creation evident in other areas of Britain during the 1980s. Many of these have not proved sustainable and have vanished, particularly in the South of England.

The slower rates of job creation in Scotland appears to have been better grounded and consequently more robust than elsewhere. In the March 1980-92 period self-employment, employment and thus the CWE growth have been stronger in Scotland than in GB due entirely to the favourable performance in the last 2 years. However, the current UK recession has still not run it's course and job creation in Scotland and elsewhere is likely to be weak. There is now little reason to expect that Scotland will remain relatively immune from the adverse employment trend which is forecast for the UK economy.

TIME SERIES ANALYSIS

In a previous section, we analysed Scottish, GB and regional unemployment change with reference to the Department of Employment seasonally adjusted series. This series also adjusts for the numerous revisions to the unemployment count. No such adjustments are undertaken for areas below the UK Standard Region.

Table 1 presents information on Scottish unemployment for the 12 months to July 1992. During this period, Scottish unemployment rose erratically by 17,800 or by 7.8%. In consequence, the unemployment rate rose from 9.1% to 9.8% of the Scottish workforce. In Britain, unemployment increased by 399,926 or by 17.7% and the rate increased from x.x% to 9.7% of the GB workforce. Thus, on the basis of the unadjusted series, the Scottish unemployment rate stands marginally above the GB rate.

Male unemployment in Scotland rose by 15371 or by 9.1% in the year to July 1992. This compares favourably with a 18.9% rise evident in Great Britain. In this period, Scottish female unemployment rose by 2,249 or by 4.1% which is extremely modest when set aside the 14.1% increase recorded in Britain as a whole. In July 1992, the Scottish male rate stood at 12.7% and the female rate stood at 5.8%. The Scottish male rate is lower than the 12.8% rate posted in GB whilst the female rate is lower than the 5.4% evident nationally.

In the current quarter, total Scottish unemployment rose by 8,279 or by 3.5%. In this time, British unemployment increased by 31,749 or by 1.2%. Scottish male unemployment rose by 2,859 or by 1.6% whilst the female count increased by 5,420 or by 9.5%. The GB rises for males and females are 0.3% and 4.0%, respectively. Thus, on an unadjusted basis, Scotland experienced a relatively bad quarter in terms of unemployment change. The quarterly male and female increases are larger than those evident in any of the 3 constructed GB regions.

In terms of seasonally adjusted unemployment, the quarterly increase in the Scottish male total is estimated at 5,000 or 2.8% which compares unfavourably with a 2.1% rise evident in GB. The female count is projected to have risen by 1,000 or by 1.8% which is less than the 2.3% rise recorded in Britain. Thus, in the previous quarter, total unemployment in Scotland increased by 6,000 or by 2.6% which is a faster increase than the 2.1% rise posted in GB.

The increases in Scotland are greater than those in the 3 British regions with the exception of the South of England. Thus, the strong performance of Scottish unemployment relative to GB across the present recession has not been evident in the previous quarter. The Scottish jobless total increased faster than in the North, Midlands & Wales and GB as a whole for the first time since the downturn started.

UNEMPLOYMENT IN THE SCOTTISH REGIONS

Table 2 sets out total unemployment and related statistics for Scotland, it's regions and islands, GB and its broad regions for the year to July 1992. Quarterly and monthly changes are also indicated although these require careful interpretation and are best used to facilitate inter-regional comparisons.

Based upon an index based at July 1990, the trend in Scottish regional unemployment is set out below alongside the annual change between July 1991 and July 1992.

	Jul 91	Jul 92	90/92
Borders	133.9	147.1	9.9%
Central	107.8	110.5	2.5%
Dumfries & Galloway	121.4	137.3	13.1%
Fife	121.7	129.5	6.4%
Grampian	114.3	138.2	20.9%
Highland	107.5	121.9	13.3%
Lothian	120.4	133.7	11.0%
Strathclyde	110.8	117.7	6.2%
Tayside	115.6	124.1	7.4%
Orkney Islands	102.9	101.2	-1.7%
Shetland Islands	85.8	101.1	17.8%
Western Isles	116.2	114.8	-1.2%
Scotland	113.4	122.2	7.8%

Examination of this data indicates that Borders, Grampian, Dumfries & Galloway, Lothian, Fife and Tayside have fared worst across the present recession. These regions have all experienced unemployment growth above the Scottish average. Initially, Grampian and the northern isles were insulated from the general downturn through linkages to the buoyant North Sea sector. However, in the year to July, Grampian(20.9%) and Shetland(17.8%) have experienced the sharpest increases in total unemployment suggesting that the beneficial impact of the North Sea on these local labour markets is diminishing. However the unemployment rate in these areas remains well below the Scottish and GB averages.

The differential performance of the Scottish regions across the present recession has tended to promote convergence in Scottish regional employment rates. For the period July 1990-92, the regional unemployment rates as a percentage of the Scottish rate are as follows:

	Jul 90	Jul 91	Jul 92
Borders	51.9	59.3	61.2
Central	106.2	102.2	96.9
Dumfries & Galloway	76.5	81.3	85.7
Fife	104.9	112.1	111.2
Grampian	42.0	41.8	46.9
Highland	81.5	76.9	81.6
Lothian	80.2	83.5	86.7
Strathclyde	127.2	124.2	122.4
Tayside	92.6	93.4	92.9
Orkney Islands	49.4	44.0	40.8
Shetland Islands	38.3	28.6	31.6
Western Isles	129.6	129.7	118.4
Scotland	100.0	100.0	100.0

This data indicates, for example, that the total unemployment rate in Fife rose from 104.9% of the Scottish rate in July 1990 to 111.2% in July 1992. All regions except, Fife, Orkney and Shetlands present unemployment rates closer to the Scottish average in July 1992 when compared with July 1990. In general, areas with below average unemployment rates before the recession have experienced faster than average growth in unemployment prompting a convergence of Scottish regional unemployment rates around the rising Scottish average.

In the recession so far, British regional unemployment rates have tended to converge upon the rising national position. In Scotland, unemployment has increased relatively slowly and local authority unemployment rates have shown a clear but less marked tendency to converge upon the Scottish average. The impact of the North Sea on labour markets in Orkney and Shetlands provides some explanation of the divergence evident in these islands.

Fife is unique in possessing relatively high unemployment rate and a deteriorating position relative to Scotland across the present recession. Strathclyde, Central and the Western Isles also presented a higher unemployment rate than Scotland at the start of the recession. However, unlike Fife, these areas have improved relative to the deteriorating national picture. In the case of Central, the relative unemployment rate has improved from 102% of the Scottish rate in July 1990 to 98.4% in July 1992. At July 1992, only Strathclyde, Fife and the Western Isles possess total unemployment rates higher than the Scottish average.

The remaining Scottish regions all presented unemployment rates below the Scottish average in July 1990. The regions in the South of Scotland are all deteriorating rapidly relative to the national average. In July 1990, the unemployment rate in Borders was 51.9% of the Scottish rate and 76.5% in Dumfries and Galloway. By July 1992, these relatives had deteriorated to 61.2% and 85.7% respectively. This is due to a 47.1% increase in unemployment in Borders and a 37.3% increase in Dumfries & Galloway.

Lothian, Grampian, Highlands and Tayside all recorded unemployment rates below the Scottish average in July 1990 and have all experienced increases in the relative rate. The change in position is less marked than in Border and Dumfries. Grampian(38.2%) exhibits the second largest increase in unemployment in the 1990-92 period but the change in the relative rate is less marked. In July 1990, the unemployment rate in Grampian was 42% of the Scottish rate. By July 1992, this relative had deteriorated to 46.3%.

In Lothian, unemployment increased by 33.7% between July 1990 and July 1991 and the unemployment rate weakened from 80.2% of the national rate to 86.7%. In Highland(21.9%) and Tayside(24.1%) the rise in unemployment and in the relative rate is less marked than in other areas. In general, this recession has significantly altered the regional distribution of unemployment at both the GB and Scottish level. There has been a marked tendency for areas with high unemployment to outperform the national average prompting relative rates to converge around the national rate. This effect is evident within Scotland at the regional level. Those areas experiencing the fastest growth in unemployment tend to be those areas whose pre-recession unemployment problem was less acute.

Information on the unemployment position facing males and females in the Scottish regions and elsewhere is set out in Tables 3 & 4. In the 12 months to July 1992, male unemployment in Scotland increased by 15,371 or by 9.8% and female jobless by 2,429 or by 4.1%. These rises compare favourably with the annual increases posted in GB and its regions.

In the year to July, the sharpest increases in male unemployment were experienced in Grampian(25.9%), Dumfries & Galloway(15.7%), Lothian(13.2%), Highland(12.7%), Shetlands(11.8%) and Borders(10.8%). These regions all experienced rises in male unemployment faster than the Scottish average. All of these regions possess unemployment rates below the Scottish average. The relative unemployment rate for males for the period July 1990-92 is as follows:

	Jul 90	Jul 91	Jul 92
Borders	50.0	57.3	58.3
Central	102.0	103.4	98.4
Dumfries & Galloway	67.6	70.9	75.6
Fife	102.0	109.4	107.1
Grampian	36.3	36.8	42.5
Highland	82.4	76.9	79.5
Lothian	84.3	87.2	90.6
Strathclyde	131.4	127.4	126.0
Tayside	90.2	90.6	91.3
Orkney Islands	43.1	38.5	37.0
Shetland Islands	33.3	26.5	26.8
Western Isles	121.6	120.5	109.4
Scotland	100.0	100.0	100.0

For males, the evident convergence is less marked. In Fife, Orkney, Shetlands and Highland, the male rate has diverged from the rising national trend. Clearly, the position of Fife is the most disturbing. In Fife, male unemployment increased by 33.9% between July 1990 and July 1992. This increase is slower than for Borders(50.5%), Grampian(49.6%), Dumfries & Galloway(42.8%) and Lothian(38.1%).

Fife differs from these areas in possessing an unemployment rate higher than the Scottish average in July 1990 and beyond. Central, Strathclyde, and the Western Isles all possessed higher than average male unemployment rates at the start of the recession. However all of these have shown an improvement relative to Scotland over the past 2 years. Indeed, Central has gone from recording a male rate 102% of that of Scotland in July 1990 to posting a relative of 98.4% in July 1992.

In the 12 months to July 1992, the numbers of Scottish female claimants rose by 2,429 or by 4.1% which compares favourably with a 14.1% increase recorded in GB. The Shetland Islands(32.3%) experiences the sharpest rise in female jobless over this period. Highland(15.1%), Grampian(10.3%), Borders(7.7%), Dumfries & Galloway(7.7%) and Fife(6.2%) all recorded faster increases than evident in Scotland as a whole. Orkney(-13.4%), Central(-1.0%) and Western Isles(-0.8%) each post decreases in female claimants in the past year.

In the period July 1990-92, Scottish female unemployment increased by 10.7%. The South of Scotland regions have fared worst over this period. Borders(39.5%) and Dumfries & Galloway(26.3%) exhibit the fastest rises in female jobless followed by Lothian(21.5%) and Fife(19.1%). Both Lothian and Borders present a pre-recession unemployment rate below the Scottish average. Dumfries & Galloway, Fife and Tayside(12.2%) are the sole regions to present female unemployment rates on or above the Scottish average in July 1990 and whose relative rate has deteriorated over the recession.

The other areas of high female unemployment, Strathclyde, Western Isles and Central, have improved their relative positions over the 1990-92 period. Highland(17.3%) and Grampian(16.8%) both deteriorate relative to Scotland but remain areas with relatively low female unemployment rates. Orkney and Shetlands record decreases in female jobless although the Shetlands situation has deteriorated markedly in the past year.

The process of convergence of female unemployment rates is evident in 7 of the 12 Scottish regions. As for males the position of Fife causes greatest concern. In July 1990, the female unemployment rate in Fife stood at 111.3% of the Scottish rate. By July 1990, the Fife rate had risen to stand at 122.4% and constitutes the worst case of female divergence. In addition, the behaviour of female unemployment reinforces the adverse performance of male jobless.

QUARTERLY ANALYSIS

Tables 2 to 4 set out details of the absolute and percentage changes in unemployment for the quarter to July 1990. In this period, total Scottish unemployment increased by 8,279 or by 3.5%. This comprises a rise in male unemployment of 2,859 or 1.6% and an increase in female claimants of 5,420 or 9.5%.

In terms of total unemployment, Shetland(-15.3%), Orkney(-12.9%), Borders(-4.3%) and Western Isles(-0.7%), all buck the rising national trend. The sharpest quarterly increases are evident in Grampian(5.8%), Strathclyde(4.3%), Tayside(4.3%) and Fife(4.0%). These are the only regions posting quarterly changes above the Scottish average.

In the case of males, 7 of the 12 Scottish regions recorded falls in male unemployment. The largest declines are evident in Shetland(-18.5%), Orkney(-14.9%), Highland(-7.2%) and Borders(-5.0%). The quarterly rises were posted in Grampian(4.9%), Lothian(2.5%), Tayside(2.3%), Fife(2.1%) and Strathclyde(2.1%).

In the quarter to July, 4 of the 12 Scottish regions experienced falls in female unemployment. These are Highland(-12.0%), Shetland(-8.2%), Orkney(-7.2%) and Borders(-2.6%). 4 regions recorded increases above the Scottish average, viz Dumfries and Galloway(13.4%), Strathclyde(12.0%), Lothian(10.0%) and Tayside(10.0%).

In the current quarter, Scotland has performed poorly relative to GB and its regions. As set out previously, this is almost wholly explained by the large changes evident between June and July. This is the case at the Scottish regional level where large monthly changes in July have tended to dominate the quarterly performance. It is too early to tell whether the recessionary experience of Scotland has entered a new and more adverse phase.

VACANCY LEVELS

Table 5 sets out registered vacancies at Job Centres in the Scottish regions whilst Table 6 presents the unemployment-vacancy ratios. In the year to July 1992, unfilled Scottish vacancies have increased by 1,389 or by 8.1%. In 5 of the 12 Scottish regions, the level of vacancies declined. The sharpest decreases are evident in Central(-18.2%), Borders(-12.8%) and Highland(-4.3%). The increase in vacancies in Strathclyde of 1,143 or 14.6% and in Grampian of 316 or 17.3% more than account for the total Scottish increase.

In the quarter to July 1992, Scottish vacancies decreased by 1,635 or by 8.1%. As with unemployment, the present quarter has brought an adverse trend to take the gloss off of the relatively strong performance across the recession so far. The sharp quarterly fall is dominated by a reduction in vacancies of 2,058(-18.6%) in Strathclyde.

Western Isles, Highland, Fife and Central each post a reduction in the stock of vacancies over the quarter to July. The oil based economies of Shetland and Grampian experience an increase of 207 and 203 vacancies respectively which mitigates the poor performance in the Central Belt.

Table 6 sets out the "U/V" ratio for both the British and Scottish regions for the 2 years to July 1992. The "U/V" ratio indicates the number of unemployed pursuing each available vacancy. It is estimated that circa 30% of all vacancies appear in these statistics suggest that the true ratio is likely to be smaller than set out in Table 6.

In July 1992, 13.3 unemployed Scots were pursuing each vacancy. This ratio has risen from 8.7 at July 1990 indicating a gradual tightening of the labour market over the present recession. In no Scottish county is the "U/V" ratio above the British average. In July 1992, Scottish regions account for the 5 most favourable ratios of the 66 GB counties.

In July 1992, the Scottish "U/V" ratio was 56.8% of that evident in Britain. Before the onset of recession, the Scottish and GB ratios were broadly similar. In the intervening period, Scottish vacancies have held up better than in GB and its regions whilst Scottish unemployment has not risen as quickly. The effects of this on the relative position of the Scottish regions can be seen by comparing the present ranks and relatives with those recorded at July 1990.

In July 1990, 5 Scottish regions exhibited "U/V" ratios above the British average of 8.7 unemployed per vacancy. These were Western Isles(12.2), Strathclyde(11.8), Fife(10.8), Tayside(10.7) and Central(9.9). By July 1990, Scottish regions recorded ratios below the British average. Fife and Tayside post the highest ratios at the present time.

In addition, the ranks of the Scottish regions have fallen considerably. In July 1990, Grampian(2.6) experienced the second lowest "U/V" ratio of the 66 GB counties. Borders(3.4) was the only other Scottish region in the GB 'top ten'. The average rank of the Scottish regions was 32.6.

In July 1990, Scottish counties accounted for 6 of the 10 best placed counties in terms of the "U/V" ratio and the top 5 positions. The average Scottish rank has fallen to 14.6 as troubled British counties fare relatively worse than the Scottish regions and islands. Thus although Scottish labour markets have deteriorated over the recession, the situation in Scotland is considerably less adverse than in GB and most parts therein. Again the performance of Fife is a source of worry in the Scottish context.

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 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 3 Islands.

Table 7 sets out unemployment in regional TTWAs for the year to July 1992. In this period, Scottish TTWAs continue to slip down the British rankings reflecting the process of convergence set out above. In July 1992, Cumnock & Sanquhar remains the Scottish TTWA with the highest unemployment rate and constitutes the top GB jobless blackspot. Greenock represents the Scottish TTWA with the second highest unemployment rate and ranks 8th in the GB listing.

It should be noted that, in all regions, the dispersion of unemployment has fallen over the year to July. This can be seen with reference to both the "high-low" and "high/low" ratios set out in Table 7. Although Grampian presents the Scottish mainland region with the lowest unemployment rate, it should be noted that the region accounts for the largest "high/low" ratio of any Scottish region. Both Forres and Keith record unemployment rates above the Scottish average. Thus, within relatively favoured regions the distribution of unemployment is likely to throw up pockets of severe unemployment.

The 12 Scottish TTWAs with the highest unemployment rate and their GB rankings at July 1990 and 1992 are as follows:

TTWA	rate %	GB ranking 1992	1990
Cummnock & Sanquhar	18.6	1	1
Greenock	14.2	8	3
Irvine	13.4	12	15
Lanarkshire	13.2	15	10
Kilmarnock	12.7	21	13
Forres	12.6	22	21
Girvan	12.6	23	17
Arbroath	12.5	24	25
Bathgate	12.3	28	31
Newton Stewart	12.1	32	12
Kirkcaldy	12.0	38	24
Dumbarton	11.9	40	18

Examination of this data highlights the general tendency for Scottish TTWAs to slip down the GB rankings across the present recession. There are exceptions. The Irvine TTWA has increased its ranking from 15th place at July 1990 to 12th place at July 1992. Similarly, the ranking of Bathgate has increased from 31 to 28 and that of Arbroath from 25 to 24.

In previous sections, we made reference to the convergence of GB regional unemployment rates towards the rising national position and the weaker convergence of Scottish regional rate upon the Scottish average. We undertook this analysis at the level of the TTWA. Whilst there is evidence of convergence, the trend is less marked.

At July 1990, there were 22 of the 60 Scottish TTWAs with unemployment above the Scottish average. In the period to July 1992, the rates of 12 of these TTWAs moved closer towards the Scottish whilst 10 diverged. The 10 Scottish TTWAs with higher than average unemployment rates in July 1990 and whose unemployment rates increased relative to Scotland are set out below in order of greatest deterioration.

TTWA	unemployment rate(% Scot.) Jul 90	Jul 92
Bathgate	111.1	125.5
Arbroath	117.3	127.6
Irvine	127.2	136.7
Forres	119.8	128.6
Dunfermline	104.9	111.2
Kirkcaldy	117.3	122.4
Girvan	124.7	128.6
Lanarkshire	132.1	134.7
Dumbarton	121.0	121.4
Kilmarnock	129.6	129.6

The adverse relative performance of Dunfermline and Kirkcaldy provides further detail on the divergent behaviour of the Fife labour market across the present recession. Although, the Strathclyde unemployment rate has tended to move closer to the rising national position, it should be noted that 5 of the 10 TTWAs whose relative position deteriorated are part of Strathclyde. Given the rundown of the Scottish steel industry it will be no great surprise to discover that Lanarkshire is in relative decline. However, the performance of the Ayrshire TTWAs, particularly Irvine and Girvan is both less expected and disturbing.

At July 1990, 38 of the 60 Scottish TTWAs recorded unemployment rates below the Scottish average. Across the recession, the unemployment rate in 31 of these increased relative to the Scottish average. In the case of Dunoon the unemployment rate rose from 97.7% of the Scottish rate in July 1990 to 113.3% in July 1990. The situation in Dunoon is largely due to the withdrawal of the US base at the Holy Loch. This has resulted in the male unemployment rate rising from 91.2% of the Scottish average in July 1990 to 107.9% at present. The female rate has deteriorated from 109.4% of the Scottish rate to 125.9%.

The remaining 30 TTWAs whose unemployment rates were below the Scottish average in July 1990 exhibit varying degrees of convergence. The 10 areas with below average unemployment rates which exhibited the sharpest adverse changes relative to Scotland are as follows:

TTWA	unemployment rate(% Scot.) Jul 90	Jul 92
Brechin	58.0	81.6
Hawick	54.3	75.5
Lockerbie	64.2	82.7
Dumfries	64.2	79.6
Annan	59.3	72.4
Buckie	61.7	75.5
Kelso	44.4	54.1
Badenoch	55.6	67.3
Haddington	69.1	83.7
Inverness	65.4	76.5

Across the present recession, it is rural areas that have performed relatively badly. Although unemployment in these TTWAs remains below the Scottish average, the rise in unemployment rates in rural and peripheral Scotland relative to the average position is noteworthy. In the July 1990-92 period, the low unemployment peripheral areas have fared lost ground badly whilst, with the exceptions set out above, the high unemployment urban and suburban industrial areas in the Central Belt have performed relatively well.

Although the recession has tended to share out the unemployment problem more evenly across Scotland, the following 7 TTWAs possessed lower than average unemployment in July 1990 and have improved their relative position subsequently.

TTWA	unemployment rate(% Scot.) Jul 90	Jul 92
Orkney Is.	49.4	40.8
Shetland Is.	38.3	31.6
Lochaber	80.2	71.4
Skye	79.0	72.4
Peterhead	69.1	65.3
Stirling	76.5	73.5
Thurso	74.1	71.4

Three of the 7 TTWAs are in Highland Region whose TTWAs, with the exception of Inverness and Badenoch, all improved their unemployment rates across the present recession. Thurso, Peterhead and the Northern Isles are likely to have benefited from the North Sea boom. However, this sector is not projected to maintain the strong demand for labour evident in the 1988-91 period.

Thus, the process of convergence evident at the level of the GB regions and Scottish counties is less clearly evident at the level of the TTWA. Seventeen of the 60 Scottish TTWAs exhibit divergent behaviour. Although the greater increases in unemployment elsewhere have caused TTWAs in the North and Midlands to displace Scottish areas from the British rankings, the unemployment position in the TTWAs in the Scottish Central belt remains poor. It will be of little comfort to the unemployed in Irvine or Alloa that their unemployment rate has been overtaken by that of South Tyneside or Rotherham.

LONG TERM UNEMPLOYMENT

In July 1990, 39.6% of Scottish male unemployed and 25.9% of female jobless had been unemployed for over 1 year. Overall, 35.6% of Scottish claimants were long term unemployed on this criteria. These proportions compared unfavourably with those evident for GB. At the start of the recession, 32.6% of British male claimants were long term unemployed whilst 24.1% of females were in this position. In July 1990, 30.4% of all British jobless were long term unemployed.

In Scotland at present, 36.0% of male jobless, 22.5% of females and 32.6% of all claimants have been unemployed for more than 1 year. In Britain, 34.7% of male claimants, 23.3% of females and 32.0% of all jobless were similarly long term unemployed. Thus, the recession thus far has caused the long term unemployment situation in Scotland to improve and that of GB to deteriorate.

However, long term unemployment remains an acute problem in Central Scotland and elsewhere. The 12 Scottish TTWAs with the highest proportions of long term male unemployed and the GB rankings at July 1990 and 1992 are as follows:

TTWA	LTU %	GB ranking 1992	1990
Girvan	45.0	2	2
Cummnock & Sanquhar	43.0	3	8
Wick	41.4	7	7
Glasgow	40.6	12	4
Kilmarnock	40.5	13	19
Sutherland	39.1	26	16
Lanarkshire	38.9	27	22
Alloa	38.3	33	12
Dumbarton	38.0	38	9
Greenock	37.9	39	5
Islay/Mid Argyll	37.7	40	11
Newton Stewart	37.4	43	97

Examination of this data indicates that, for example, at July 1992, 45.0% of the male unemployed in the Girvan TTWA have been unemployed for at least. Girvan ranks 2nd to Liverpool in terms of long term unemployment share in both 1990 and 1992. Since 1990, Scottish TTWAs have tended to slip down the GB rankings although the cases of Girvan, Cummnock, Wick and Newton Stewart stand out against the general trend. In July 1990, Scottish TTWAs accounted for 14 of the 20 British TTWAs with the highest long term unemployment share. At present, 5 Scottish TTWAs are in the GB top 20 whilst 22 have at least one third of male jobless unemployed for over 1 year.

The 12 Scottish TTWAs with the highest share of female long term unemployed and the GB rankings at July 1990 and 1992 are as follows:

TTWA	LTU %	GB ranking 1992	1990
Sutherland	33.3	3	2
Wick	32.4	4	4
Girvan	32.1	5	70
Cummnock & Sanquhar	30.6	7	6
Thurso	28.7	15	53
Orkney Islands	28.4	18	9
Dundee	26.6	28	7
Newton Stewart	26.5	31	88
Huntly	26.3	35	48
Dumbarton	25.1	52	44
Glasgow	24.8	57	25
Lanarkshire	24.5	61	105

Sutherland represents the Scottish TTWA with the highest concentration of long term unemployed and is currently the 3rd worst British TTWA in this respect. Since 1990, female long term unemployment has become more prevalent in British labour markets than in Scottish and Scottish TTWAs have tended to drop down the GB rankings. However, there are exceptions. Girvan, Thurso, Newton Stewart, Huntly and Lanarkshire have all move up sharply whilst the top Scottish blackspots of Sutherland, Wick and Cumnock have broadly maintained their place. The areas tending to lose position are largely in the urbanised and industrial Central Belt.

The 12 worst Scottish TTWAs in terms of total long term unemployment and their GB rankings in July 1990 and 1992 are as follows:

TTWA	LTU %	GB ranking 1992	1990
Girvan	41.6	2	8
Cumnock & Sanquhar	40.4	3	7
Wick	39.4	6	3
Sutherland	37.3	15	10
Glasgow	36.8	18	2
Kilmarnock	36.2	23	32
Lanarkshire	35.7	30	30
Dumbarton	34.8	37	11
Greenock	34.2	42	5
Dundee	34.2	44	6
Islay/Mid Argyll	33.9	48	16
Newton Stewart	33.4	53	104

The extent of long term unemployment amongst Scottish jobless remains greater than in Britain as a whole. Although there is a tendency for the Scottish TTWAs to slip down the GB rankings, there are clear and worrying exceptions.

The situation in Ayrshire is a cause for concern. In the previous section, we set out that the Ayrshire TTWAs all had above average unemployment before the onset of recession and that, in the interim, their unemployment rates had increased faster than the Scottish rate. It is evident that, in terms of long term unemployment, Girvan and Kilmarnock have moved sharply up the UK rankings at a time when most Scottish TTWAs have been moving in the other direction.

In addition, Lanarkshire has likewise deteriorated relative to Scotland across the present recession and has experienced an increased incidence of long term unemployment. The outlook for unemployed in Dumfries and Galloway is also problematic.

CONCLUDING REMARKS

This review has sought to illustrate that Scottish labour markets have fared relatively well across the present recession. In terms of labour demand, the Scottish Civilian Workforce in Employment has increased by 2% which compares favourably with a 5% fall in GB and varying declines in the British regions.

The bulk of the increase in the Scottish workforce derives from an unexpectedly strong 14.7% increase in self employment. In GB, self employment declined by 8.2% in this period. Scotland, Britain and the GB regions have all experienced sharp decreases in the numbers engaged in Work Related Government Programmes, such as ET and YTS.

Employees in employment increased in Scotland by 1.1% compared with a fall of 4.3% in GB. In Scotland, male and female full time employment have remained static leaving a sharp increase in part time work to account for the overall rise in employees. In addition, the 21,000 increase in Scottish employment comprises a fall of 52,000 jobs in Production and Construction offset by an increase of 73,000 service sector jobs. These are mainly in Distribution and Catering, Finance and Public Services.

Thus, although the recession has seen employment opportunities expanded, the ongoing shift of employment from production and construction to services has continued as has the trend towards part time working. These trends, even in a relatively buoyant labour market, force severe adjustments on individuals and communities and require active and accommodating labour market policies.

The pattern of labour demand is reflected in the changing composition of British unemployment. The recession has bitten earlier and deeper the further south one looks. The seasonally adjusted SAR series indicate that unemployment turned up first in the overheated South of England and has risen fastest in that area. The further north one looks, the later unemployment started rising and the weaker its advance.

Overall Scottish unemployment has risen by 20.1% in the 2 years to July 1992 compared with a 73.3% increase evident in Britain. As the changing Scottish employment situation suggests, female unemployment has risen by 8.1% compared with a male rise of 24.5%. In Britain, male unemployment has risen by 79.1% and female jobless by 56.5% in the last 2 years.

Scotland's relatively good unemployment performance should not obscure the fact that unemployment is increasing in Scotland and that many Scottish labour markets have been in considerable distress for prolonged periods. What has happened is that unemployment has soared in the South and Midlands and unemployment misery has been shared out more equitably across the country. This has obvious repercussions for the level and distribution of resources across the UK regions and for the approach of all Scottish politicians in the national arena.

Scotland did not prosper across the long 1980s cycle to the extent evident elsewhere in the UK. The growth in the components of the workforce is weaker than elsewhere and unemployment consistently higher and of greater duration. The weakness of the Scottish economy following the OPEC oil price reductions in the mid 1980s engendered a less sanguine view of the future than elsewhere. Scots based personal and corporate savings, investment and borrowing decisions upon a more robust and feasible set of expectations.

Thus, Scotland did not enjoy the inflationary feast in the 1980s and this has insulated Scotland during the famine. Scottish firms and individuals did not push up their debt equity ratios to the high levels evident elsewhere. Scottish consumers were not as vulnerable to the direct or induced effects of a policy of high interest rates because adverse circumstance prevented personal and corporate mistakes of the extent evident elsewhere. Although consumers expenditure has been checked in Scotland, there is not as large a shock as elsewhere. This suggest that any likely rebound in consumers expenditure is likely to be weaker in Scotland and elsewhere.

In addition, a cyclical upswing in North Sea exploration and development and an expansion of production has induced a strong trend in demand from the Continental Shelf over the first part of the recession. This mini-boom has helped the oil-based economies in the North East and provided orders for Scottish manufacturers at an opportune time. The exploration and development has been brought to a halt by the weak oil price and US Dollar exchange rate. This is ushering in a round of cost cutting and new less labour and capital approaches to both exploration and production. The North Sea will not contribute strongly to growth from here on.

A third source of buoyancy in Scotland has been the export orientation of Scottish manufacturers. In its initial phases, the recession was a UK phenomenon and Scottish export markets were expanding or cooling modestly. This has caused Scottish manufacturing output and employment to fare relatively well thus far. However, the recession is now global in nature with many major economies experiencing weakness. The prospects for Scotland's narrowly based and European oriented exporters are deteriorating.

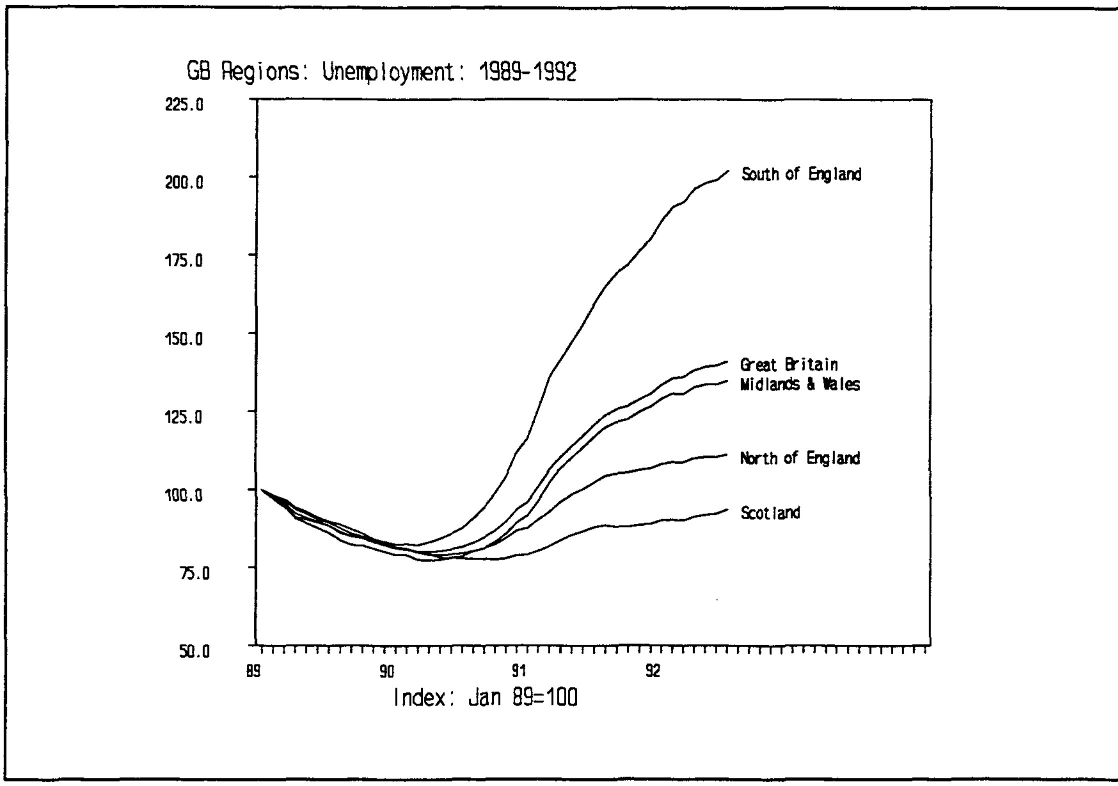
The final contributor to the stronger Scottish labour markets has been the recent sharp real increases in Government expenditure and consequence rise in public sector employment. The Cabinet decision to set an overall total for Government expenditure and to allow inevitable rises in the Social Security budget to constrain expenditure in other areas will check this trend. Scotland, with its high per capita spend on public programmes, is vulnerable to Treasury predation in the short and long run.

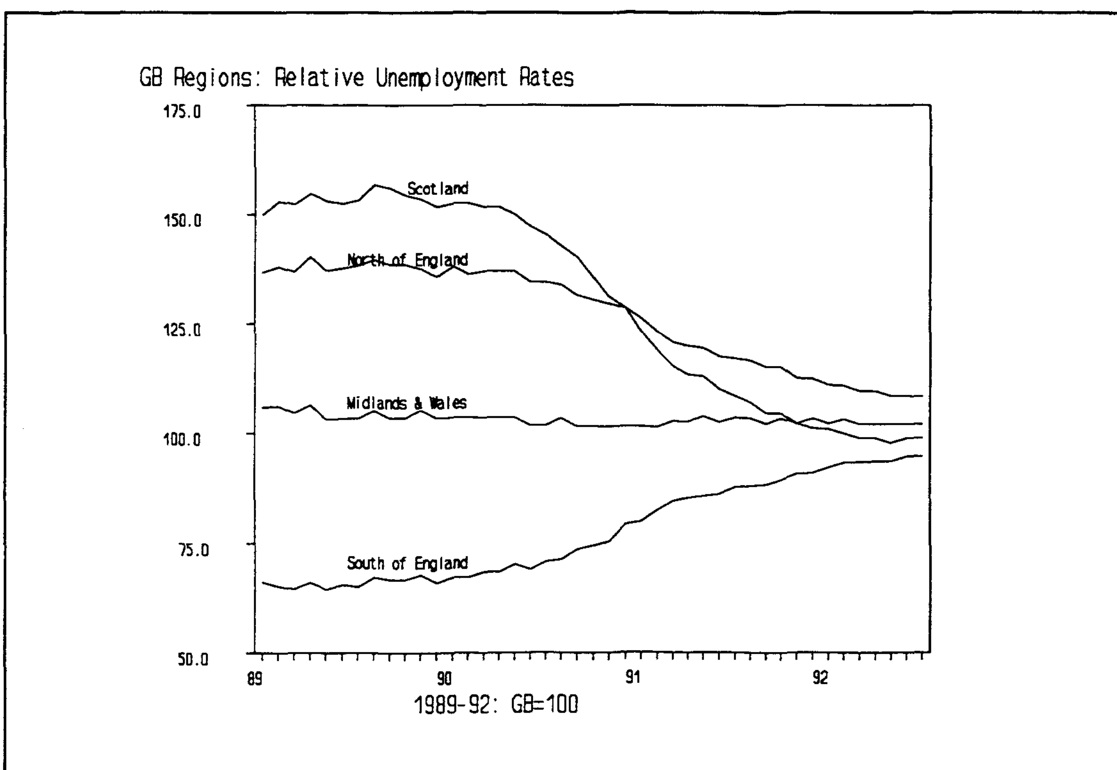
Thus, as we have pointed out elsewhere, the forces which have insulated the Scottish economy in the recession thus far are dissipating. Scotland is ultimately an satellite of the UK economic system and the longer the downturn lasts the worse things will become in Scotland. In addition there is no reason to expect the Scottish economy to recover particularly quickly or strongly in comparison with other GB regions.

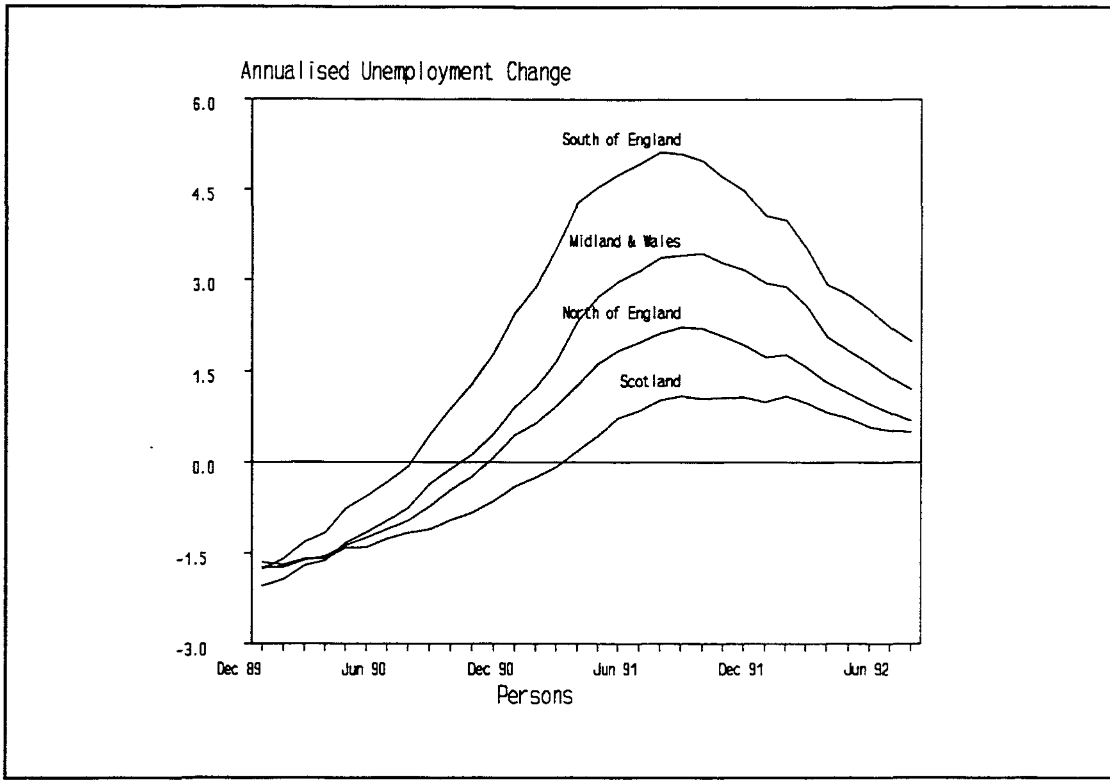
This presents a stark choice for Scottish policy makers. In the short term unemployment will continue rising and people will be unemployed for longer durations. We are unlikely to create sufficient jobs to absorb the unemployed through training and re-training schemes. In the late 1980s, the Government withdrew the Community Programme scheme in favour of Employment Training which was designed to lever unemployed in to formal labour market. Clearly such policies are need in an economy shifting employment from production to services.

In the late 1980s, the demand for labour was growing strongly providing some rationale for ET. However, if the ET scheme is to survive, it will do so as an industrial training measure limited by the demand of employers. The limited nature of that demand will mean that it cannot justifiably be portrayed as a solution to rising unemployment and durations. If LECS are compelled to operate training schemes which train people for further spells of joblessness then the scheme will be effectively a charade.

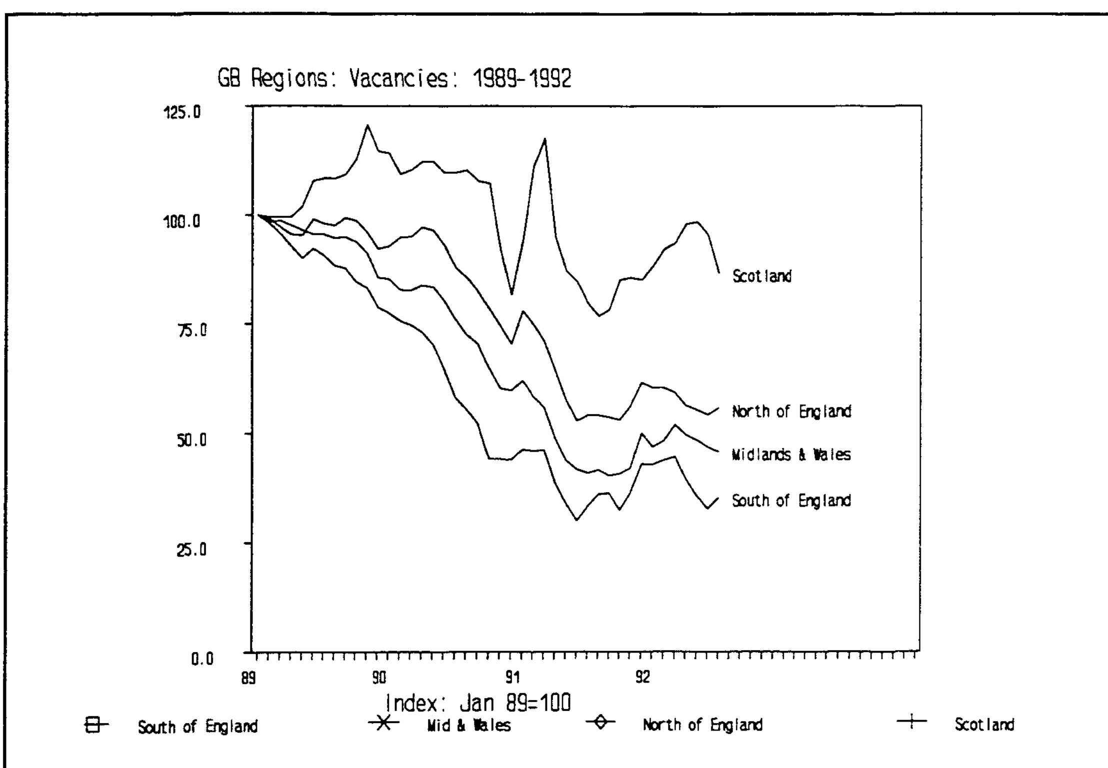
It is time to recognise that the present recession demands a relevant response. This involves, inter alia, introducing some sort of programme to provide work and purpose to the growing army of unemployed. The return of something like the former Community Programme is urgently needed, especially in the urban and other areas where high and persistent unemployment and long term unemployment prevails. This would provide direction and purpose to those who presently have no chance of participating in the formal labour market and help avoid the adverse social consequences of sustained joblessness.


GB Regions: Unemployment: 1989-1992
225.0
200.0
175.0
150.0
125.0
100.0
75.0
50.0
89
90
91
92
South of England
Great Britain
Midlands & Wales
North of England
Scotland
Index: Jan 89=100


GB Regions: Relative Unemployment Rates
175.0
150.0
125.0
100.0
75.0
50.0
89
90
91
92
Scotland
North of England
Midlands & Wales
South of England
1989-92: GB=100

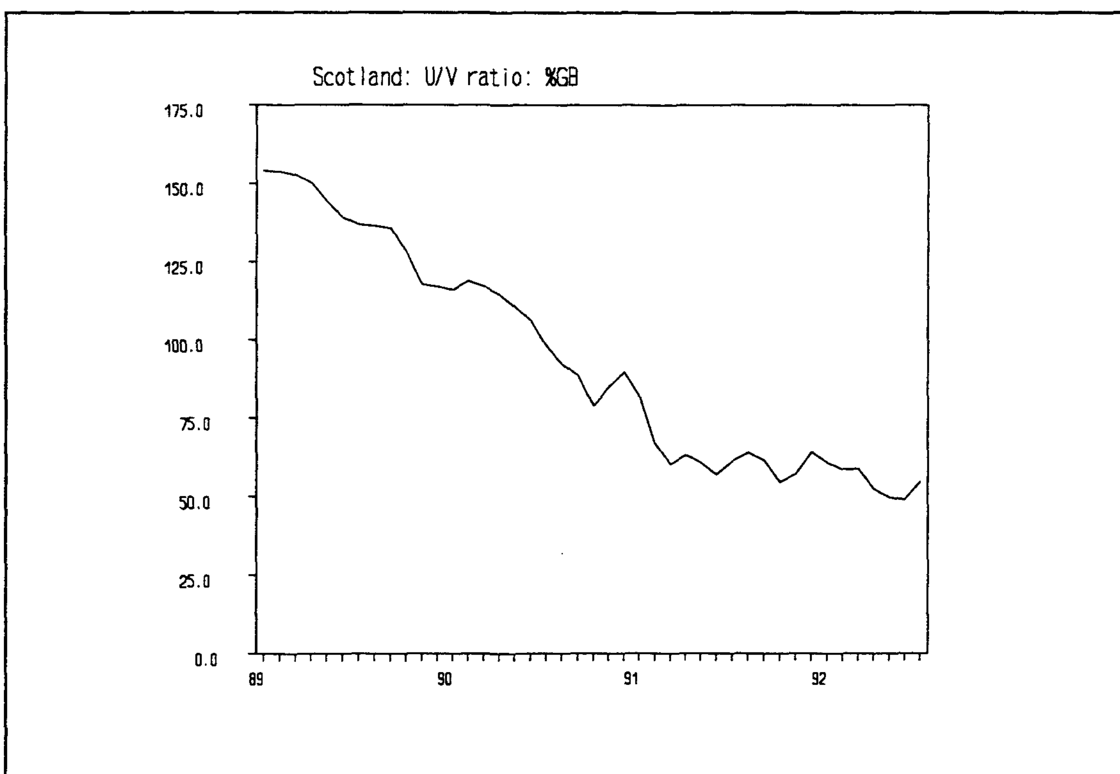


Annualised Unemployment Change
6.0
4.5
3.0
1.5
0.0
-1.5
-3.0
South of England
Midland & Wales
North of England
Scotland
Dec 89
Jun 90
Dec 90
Jun 91
Dec 91
Jun 92
Persons



GB Regions: Vacancies: 1989-1992
125.0
100.0
75.0
50.0
25.0
0.0
Scotland
North of England
Midlands & Wales
South of England
89
90
91
92
Index: Jan 89=100
South of England
Mid & Wales
North of England
Scotland

Unemployment-Vacancy Ratio: 1989-92
30.0
25.0
20.0
15.0
10.0
5.0
0.0
Great Britain
Scotland
89
90
91
92
Scotland & Great Britain



Scotland: U/V ratio: %GB
175.0
150.0
125.0
100.0
75.0
50.0
25.0
0.0
89
90
91
92

TABLE 1: UNEMPLOYMENT TOTALS - UNADJUSTED TIME SERIES, SCOTLAND

Month	Unemployment rate*	Total	Monthly % change	Male	Monthly % Change	Female	Monthly % Change
1991 Jul	9.1	228,376	5.97	168,449	3.54	59,926	13.46
Aug	9.1	230,160	0.78	169,544	0.65	60,616	1.15
Sep	8.8	221,953	-3.57	166,979	-1.51	54,974	-9.31
Oct	8.7	220,396	-0.70	167,328	0.21	53,068	-3.47
Nov	8.9	223,599	1.45	170,335	1.80	53,264	0.37
Dec	9.1	228,766	2.31	175,152	2.83	53,614	0.66
1992 Jan	9.6	241,351	5.50	184,108	5.11	57,243	6.77
Feb	9.5	239,822	-0.63	182,280	-0.99	57,542	0.52
Mar	9.4	237,576	0.94	180,481	-0.99	57,095	-0.78
Apr	9.4	237,897	0.14	180,961	0.27	56,936	-0.28
May	9.2	233,128	-2.00	178,501	-1.36	54,627	-4.06
Jun	9.2	231,782	-0.58	177,073	-0.80	54,709	0.15
Jul	9.8	246,176	6.21	183,820	3.81	62,356	13.98

Source: Department of Employment

TABLE 2: TOTAL UNEMPLOYMENT BY REGION: UNADJUSTED

	% rate Jul 1992		Total Jul 1992	Total Jul 1991	Annual Change		Total Apr 1992	Quarterly Change		Total Jun 1992	Monthly Change	
	Narrow	Wide			Total	%		Total	%		Total	%
Borders	7.4	6.0	2,884	2,625	259	9.9	3,015	-131	-4.3	2,748	136	4.9
Central	10.8	9.5	11,874	11,588	286	2.5	11,763	111	0.9	11,473	401	3.5
Dumfries & Galloway	10.6	8.4	5,880	5,206	682	13.1	5,689	200	3.5	5,543	346	6.2
Fife	12.5	10.9	15,910	14,948	962	6.4	15,293	617	4.0	14,906	1,004	6.7
Grampian	5.3	4.6	12,762	10,557	2,205	20.9	12,059	703	5.8	11,689	1,073	9.2
Highland	9.7	8.0	8,202	7,237	965	13.3	8,974	-772	-8.6	7,944	258	3.2
Lothian	9.5	8.5	34,330	30,922	3,408	11.0	32,939	1,391	4.2	32,398	1,932	6.0
Strathclyde	13.6	12.0	134,332	126,541	7,791	7.2	128,768	5,564	4.3	125,959	8,373	6.6
Tayside	10.6	9.1	17,671	16,460	1,211	7.4	16,936	735	4.3	16,936	735	4.3
Orkney Islands	5.6	4.0	412	419	-7	-1.7	473	-61	-12.9	390	22	5.6
Shetland Islands	3.9	3.1	370	314	57	17.8	437	-67	-15.3	339	31	9.1
Western Isles	15.8	11.6	1,540	1,558	-18	-1.2	1,551	-11	-0.7	1,456	83	5.7
Scotland	11.2	9.8	246,176	228,376	17,800	7.8	237,897	8,279	3.5	231,782	14,394	6.2
South of England	10.6	9.1	1,132,265	888,366	243,899	27.5	1,114,978	17,287	1.6	1,097,593	34,672	3.2
Midlands & Wales	11.4	9.8	570,421	492,069	78,352	15.9	564,746	5,657	1.0	551,868	18,553	3.4
North of England	12.0	10.5	714,986	655,111	59,875	9.1	714,460	526	0.1	692,655	22,331	3.2
GB	11.2	9.7	2,663,848	2,263,922	399,926	17.7	2,632,099	31,749	1.2	2,573,898	89,950	3.5

Source: Department of Employment

TABLE 3: MALE UNEMPLOYMENT BY REGION: UNADJUSTED

	% rate Jul 1992		Total Jul 1992	Total Jul 1991	Annual Change		Total Apr 1992	Quarterly Change		Total June 1992	Monthly Change	
	Narrow	Wide			Total	%		Total	%		Total	%
Borders	10.1	7.4	2,033	1,835	198	10.8	2,141	-108	-5.0	1,977	56	2.8
Central	14.9	12.5	8,692	8,373	319	3.8	8,793	-101	-1.1	8,613	79	0.9
Dumfries & Galloway	13.3	9.6	4,074	3,522	552	15.7	4,089	-15	-0.4	3,955	119	3.0
Fife	16.4	13.6	11,533	10,827	706	6.5	11,293	240	2.1	10,991	542	4.9
Grampian	6.6	5.4	9,002	7,149	1,854	25.9	8,579	423	4.9	8,290	712	8.6
Highland	13.3	10.1	5,975	5,303	672	12.7	6,442	-467	-7.2	5,847	128	2.2
Lothian	13.6	11.5	26,005	22,975	3,030	13.2	25,371	634	2.5	24,951	1,054	4.2
Strathclyde	19	16	102,115	95,151	6,964	7.3	100,011	2,104	2.1	98,418	3,697	3.8
Tayside	14.4	11.6	12,691	11,637	1,054	9.1	12,407	284	2.3	12,398	293	2.4
Orkney Islands	7.3	4.7	296	285	11	3.9	348	-52	-14.9	289	7	2.4
Shetland Islands	4.7	3.4	247	221	26	11.8	303	-56	-18.5	225	22	9.8
Western Isles	21.2	13.9	1,157	1,172	-15	-1.3	1,184	-27	-2.3	1,119	38	3.4
Scotland	15.4	12.7	183,820	168,449	15,371	9.1	180,961	2,859	1.6	177,073	6,747	3.8
South of England	14.9	12.1	855,004	663,544	191,460	28.9	846,059	8,945	1.1	835,237	18,767	2.2
Midlands & Wales	15.8	13	435,006	371,790	63,216	17.0	434,962	44	0.0	426,392	8,614	2.0
North of England	16.9	14.1	552,283	500,974	51,309	10.2	557,113	-4830	-0.9	541,161	11,122	2.1
GB	15.6	12.8	2,026,113	1,704,577	321,356	18.9	2,019,095	7,018	0.3	1,980,863	45,250	2.3

Source: Department of Employment

TABLE 4: FEMALE UNEMPLOYMENT BY REGION: UNADJUSTED

	% rate Jul 1992		Total Jul 1992	Total Jul 1991	Annual Change		Total Apr 1992	Quarterly Change		Total June 1992	Monthly Change	
	Narrow	Wide			Total	%		Total	%		Total	%
Borders	4.5	4.1	851	790	61	7.7	874	-23	-2.6	771	80	10.4
Central	6.2	5.8	3,182	3,215	-33	-1.0	2,970	212	212	2,860	322	11.3
Dumfries & Galloway	7.3	6.5	1,815	1,685	130	7.7	1,600	215	215	1,588	227	14.3
Fife	7.7	7.1	4,377	4,121	256	6.2	4,000	377	377	3,915	462	11.8
Grampian	3.6	3.4	3,760	3,409	351	10.3	3,480	280	280	3,399	361	10.6
Highland	5.6	5.0	2,227	1,934	293	15.1	2,532	-305	-305	2,097	130	6.2
Lothian	4.9	4.6	8,325	7,947	378	4.8	7,568	757	757	7,447	878	11.8
Strathclyde	7.2	6.8	3,217	31,390	827	2.6	28,757	3,460	3,460	27,541	4,676	17.0
Tayside	6.4	5.9	4,980	4,823	157	3.3	4,529	451	451	4,538	442	9.7
Orkney Islands	3.5	2.9	116	135	-18	-13.4	125	-9	-9	101	15	14.9
Shetland Islands	2.9	2.6	123	93	30	32.3	134	-11	-11	114	9	7.9
Western Isles	8.9	7.8	383	386	-3	-0.8	367	16	16	338	45	13.3
Scotland	6.2	5.8	62,356	59,927	2,429	4.1	56,936	5,420	5,420	54,709	7,647	14.0
South of England	5.6	5.2	277,261	224,822	52,439	23.3	268,919	8,342	8,342	261,356	15,905	6.1
Midlands & Wales	6.0	5.5	135,415	120,279	15,136	12.6	129,802	5,613	5,613	125,476	9,939	7.9
North of England	6.0	5.6	162,703	154,137	8,566	5.6	157,347	5,356	5,356	151,494	11,209	7.4
GB	5.9	5.4	637,735	559,165	78,570	14.1	613,004	24,731	24,731	593,035	44,700	7.5

Source: Department of Employment

TABLE 5: REGISTERED VACANCIES AT JOB CENTRES: BY REGION

	Jul 1992	%	Jul 1991	%	Annual Change		Apr 1992	%	Quarterly Change	
					Total	%			Total	%
Borders	489	2.7	561	3.3	-72	-12.8	406	2.0	83	20.4
Central	832	4.5	1,017	6.0	-185	-18.2	857	4.3	-25	-2.9
Dumfries & Galloway	613	3.3	590	3.5	23	3.9	574	2.9	39	6.8
Fife	776	4.2	710	4.2	66	9.3	867	4.3	-91	-10.5
Grampian	2,140	11.6	1,824	10.7	316	17.3	1,937	9.7	203	10.5
Highland	1,000	5.4	1,045	6.1	-45	-4.3	1,114	5.5	-114	-10.2
Lothian	2,207	12.0	2,270	13.3	-63	-2.8	2,127	10.6	80	3.8
Strathclyde	8,991	48.7	7,848	46.0	1,143	14.6	11,049	55.0	-2,058	-18.6
Tayside	912	4.9	924	5.4	-12	-1.3	890	4.4	22	2.5
Orkney Islands	86	0.5	62	0.4	24	38.7	58	0.3	28	48.3
Shetland Islands	310	1.7	130	0.8	180	138.5	103	0.5	207	201.0
Western Isles	92	0.5	78	0.5	14	17.9	101	0.5	-9	-8.9
Scotland	18,448	100.0	17,059	100.0	1,389	8.1	20,083	100.0	-1,635	-8.1

Source: Department of Employment

TABLE 6: UNEMPLOYMENT-VACANCY (U/V) RATIO: BY REGION									
	July 1992			July 1991			July 1990		
	U/V	GB rank*	% GB	U/V	GB rank*	% GB	U/V	GB rank*	% GB
Borders	5.90	3	25.1	4.68	2	22.1	3.40	8	39.0
Central	14.27	16	60.7	11.39	12	53.8	9.86	50	113.1
Dumfries & Galloway	9.61	8	40.8	8.83	8	41.6	5.53	27	63.5
Fife	20.50	40	87.2	21.05	50	99.3	10.80	52	123.9
Grampian	5.96	4	25.4	5.79	3	27.3	2.55	2	29.2
Highland	8.20	5	34.9	6.93	5	32.7	4.83	20	55.4
Lothian	15.56	20	66.2	13.62	20	64.3	7.78	41	89.3
Strathclyde	14.94	19	63.6	16.12	31	76.1	11.75	57	134.9
Tayside	19.38	34	82.4	17.81	36	84.0	10.72	51	123.1
Orkney Islands	4.79	2	20.4	6.76	4	31.9	4.07	14	46.7
Shetland Islands	1.19	1	5.1	2.42	1	11.4	3.70	12	42.4
Western Isles	16.74	23	71.2	19.97	45	94.2	12.19	58	139.9
Scotland	13.34	14.6	56.8	13.39	18.1	63.2	8.66	32.6	2299.4
South of England	26.34	39.3	112.1	21.66	34.2	102.2	7.08	26.3	81.3
Midlands & Wales	24.04	33.2	102.3	23.03	36.3	108.6	8.50	33.2	97.5
North of England	25.38	41.0	108.0	23.94	42.6	112.9	11.44	47.6	131.3
GB	23.51		100.0	21.20		100.0	8.71		100.0

Source: Department of Employment

* average rank

TABLE 7: TTWAs WITH HIGHEST AND LOWEST UNEMPLOYMENT RATES AND RANKS: APRIL 1992 AND APRIL 1991											
		Unemployment: July 1992			Unemployment: July 1991			High-Low		High/Low	
		% rate	GB rank	Sc. rank	% rate	GB rank	Sc. rank	Jul 1992	Jul 1991	Jul 1992	Jul 1991
Borders	H Berwichshire/Peebles	8.0	184	29	8.1	109	25	3.3	3.7	1.7	1.8
	L Galashiels	4.7	305	57	4.4	297	55				
Central	H Alloa	11.8	43	13	11.9	18	7	4.6	5.0	1.6	1.7
	L Stirling	7.2	224	36	6.9	166	29				
Dumfries & Galloway	H Cumnock & Sanquhar	18.6	1	1	18.1	1	1	11.5	12.1	2.6	3.0
	L Dumfries	7.1	228	39	6.0	212	44				
Fife	H Kirkcaldy	12.0	38	11	11.5	26	10	5.4	5.5	1.8	1.9
	L North East Fife	6.6	256	46	6.0	216	43				
Grampian	H Forres	12.6	22	6	12.9	11	3	8.8	9.9	3.3	4.3
	L Aberdeen	3.8	316	59	3.0	316	59				
Highland	H Wick	11.6	52	15	11.5	25	11	5.0	6.6	1.8	2.3
	L Inverness	6.6	258	45	4.9	277	51				
Lothian	H Bathgate	12.3	28	9	10.8	41	15	4.4	4.5	1.6	1.7
	L Edinburgh	7.9	190	30	6.3	200	39				
Strathclyde	H Girvan	14.2	8	2	14.0	5	2	9.1	9.4	2.8	3.0
	L Ayr	5.1	295	55	4.6	288	53				
Tayside	H Arbroath	12.5	24	8	11.1	31	14	6.7	6.1	2.2	2.2
	L Forfar/Crieff	4.8	281	52	5.0	272	50				

Source: Department of Employment

Note: GB - 322 TTWAs
Scotland - 57 TTWAs