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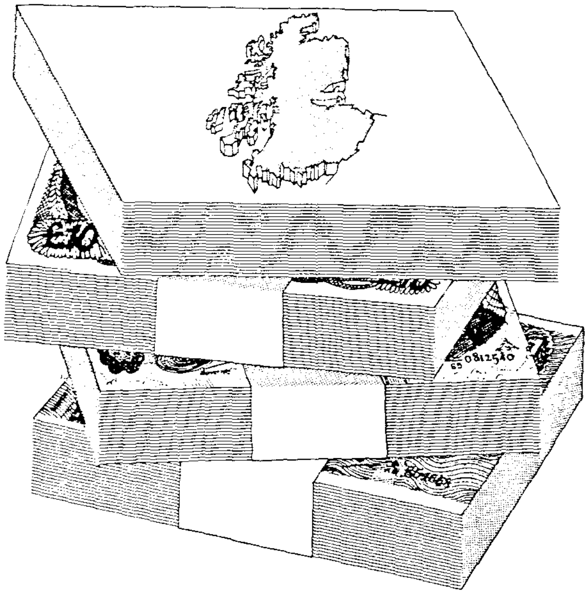
THE SCOTTISH ECONOMY

INDUSTRIAL PERFORMANCE



BUSINESS SURVEY

In this Quarterly Economic Commentary this section will concentrate solely on the Scottish Chambers Business Survey (SCBS) due to difficulties in obtaining information from the CBI. The SCBS is now the largest, most comprehensive regular Survey of the Scottish economy. The summarised below results refer to the first quarter of 1991 for six major sectors of the economy ie. manufacturing, construction, retail and wholesale distribution, financial institutions, tourism and leisure and oil. 4000 companies from Aberdeen, Central, Dundee, Edinburgh, Fife and Glasgow Chambers of Commerce are surveyed each quarter.

Scottish Chambers' Business Survey

In Manufacturing, optimism about the general business situation remained low and negative with a net balance of -8% of respondents less optimistic than they had been at the time of the previous Survey. This amounted to a relative improvement in optimism compared with the previous Survey in which the manufacturing balance of optimism was -25%. The increase in optimism may reflect the ending of the Gulf War and domestic interest rate cuts. However, the apparent improvement was largely due to respondents in the Glasgow Chamber of Commerce area, where a positive balance of optimism of +1% occurred. Almost all the other Chambers recorded significantly low levels of optimism. A net balance of -37% of Manufacturing respondents were less optimistic about the general business situation than they were in the same period a year ago. This represented a deterioration of 2 percentage points on the 4th quarter figure.

Within Manufacturing, only 'other engineering' and 'paper, printing and publishing' had net balances of respondents more optimistic than they had been in the 3 months previous to the Survey. 'Miscellaneous Manufacturing', 'Metal Manufacturing' and 'Mechanical Engineering' displayed the lowest levels of business optimism. However, optimism improved appreciably during the 1st quarter in 'Other Engineering', 'Paper, Printing and Publishing', 'Textiles etc.', 'Electronics and Electrical Engineering' and 'Chemicals' although the optimism in these sectors remained relatively low.

Business confidence in Construction remained low, with a net balance of -13% of respondents claiming to be less optimistic than they were in 4th quarter of 1990. This did however, represent a relative improvement on the balance of -32% in the previous Survey. A net balance of -40% of Construction respondents were less optimistic than they had been in the same period one year previous to the Survey. In the Retailing, Wholesaling, and Tourism and Leisure sectors optimism continued to be low with, respectively, net balances of -4%, -2% and -5% less optimistic than they had been in the previous Survey. Nevertheless, the position did improve somewhat compared to the results for the December Survey.

Despite the relative improvement in business confidence the trend in orders and sales clearly worsened in the 1st quarter. With the exception of Wholesale Distribution all sectors displayed negative trends. In Manufacturing a markedly higher net balance of firms reported a decline in both orders and sales, orders and sales to the rest of the UK continued to be the most depressed. Demand for Scottish manufactured goods from both within Scotland and from abroad further deteriorated, although export markets held up relatively better.

In Construction, new orders continued to decline with a net balance of -34% of respondents reporting lower orders compared with -24% in the previous quarter. Demand from Central government appeared to be the most depressed, although orders from the private sector suffered the greatest relative deterioration over the decline reported in the 4th quarter.

A small net balance of Retailers in Scotland reported a decline in sales compared with the positive trend recorded in the previous Survey. Only, Wholesalers continued on balance to report a positive sales trend, although only a net of +9% of respondents are reporting such an increase compared with a net of +28% in the final quarter of 1990. In the Tourism and Leisure sector, following the progressive deterioration in the growth of demand in the preceding two quarters, a net of -8% of respondents reported a fall in demand. This was a significant turnround from the net +23% reporting increased demand in the previous Survey and seems likely to reflect the effect of the Gulf War on tourism during the first quarter. This interpretation is supported by the collapse in demand from abroad with a net -69% of respondents reporting a decline in demand compared with the not of +1% reporting an increase during the final three months of last year.

Manufacturers continued to run down stocks of both finished goods and raw materials with, respectively, balances of -11% and -18% reporting lower stock holdings. Work in progress appears also to have fallen with a balance of -8% of firms reporting a reduction. A net balance of -28% of Construction respondents report a reduction in work in progress.

Generally, less companies expect orders and sales to decline during the current quarter than those actually experiencing reductions in the first quarter. The expected relative improvement appeared most pronounced in export markets and demand from abroad, although Tourism and Leisure respondents expect a strong revival in demand from Scottish and UK markets. Nevertheless, respondents still view orders and sales, or a general lack of demand, as the factor most likely to limit output during the second quarter, and the percentage of respondents holding this expectation rose again in the first quarter.

In the Financial sector the positive trend in advances continued into the first quarter, although the trend in personal advances appeared to have moderated while that for corporate advances appeared to increase. The trend in the demand for working capital remained significantly positive, while the demand for finance for investment in buildings and plant and equipment further deteriorated. The indications are that the growth in the demand for finance by companies is taking the form of increased 'distress borrowing' while firms cut back on their investment plans. Further evidence in support of this contention is provided by Manufacturing and Construction respondents where sizeable net balances reported a cut-back in investment intentions.

With respect to business performance, Aberdeen and the surrounding area continued to be the most buoyant region, although performance deteriorated in this as in other regions of Scotland. Edinburgh appears have doing particularly badly in Manufacturing, Construction and Tourism and Leisure demand. Central region firms also appeared to have suffered disproportionately during the first quarter. On the other hand, orders and sales for Manufacturing firms in Fife appear to hold up particularly well.

Downward trends in total employment were widely reported in Construction, Manufacturing, Tourism and Leisure, Retail Distribution and Finance in the 1st quarter of 1991. However, limited expansion was again recorded in Wholesale Distribution. All sectors except for Wholesale and Finance reported accelerating rates of decline in employment.

Expectations for the second quarter of 1991 are for an increase in employment levels in Wholesale Distribution and in Tourism and Leisure. Employment levels are expected to stabilise in Construction, and a reduction in the rate of decline in employment levels is expected in Manufacturing and Retail. However, further declines in employment are expected in Financial Institutions. Part-time employment was less affected by the declining employment levels in Retail and Financial Institutions, but suffered a steeper decline than full-time staff in Wholesale, Manufacturing, Construction and in Tourism and Leisure. Once again seasonality in demand is a factor influencing levels of part-time employment.

Aberdeen and the Highlands remain the most buoyant labour market with Construction and Wholesale reported upward trends in employment. Employment held up better in Manufacturing and Tourism in Aberdeen and the Highlands than for other regions; although the rate in decline in employment in Retail paralleled that of the other regions. Significantly a greater percentage of firms in all sectors in the Aberdeen and Highland region were seeking to recruit staff. There was some evidence that employment levels were holding up better in the East coast than elsewhere, but this was restricted to Manufacturing in Fife, Wholesale in Dundee and Fife, and Tourism in Dundee.

The percentages of firms recruiting continued to decline in Manufacturing, Retail and Tourism and Leisure. Whereas, Construction, Wholesale and Finance reported slight increases in percentages recruiting in the 4th quarter; although seasonality may have been an influence in Construction. For all six sectors the percentage of firms recruiting in the 1st quarter of 1991 was lower than in 3rd quarter of 1990. The percentage of firms reporting increased difficulties in recruiting staff declined in all sectors except wholesale.

PRIMARY

AGRICULTURE AND FORESTRY

At the time of writing, no decisions have been made regarding the 1991-92 package of farm prices. The main issue concerns the ceiling to be placed on EC farm support. A guideline of ECU 32.5 billion has been proposed by the Commission for total support within the Community, representing a record increase of 30 per cent on last year's total. The EC is proposing large price support cuts to maintain spending below this ceiling, but the extent of European over-production is so great that there is a high probability that, even with these price cuts, the ceiling would be breached.

The EC Commission is attempting to move prices of farm products towards world price levels, while compensating farmers through direct income support. As a whole, the EC now produces 15 to 20 per cent more food than it consumes, with this overhang tending upwards remorselessly. Changing dietary habits are leading to declining consumption trends whilst technological advances are continually raising supply from given areas of land input.

With the exception of the UK and the Netherlands, farm ministers from member states are strongly resisting budget farm support reductions, responding as they do to powerful entrenched agricultural lobbies. The EC plans would involve safeguarding small farmers through direct compensation for severe price cuts (e.g. cereal price cuts of 47% over 3 years), while only partially refunding big grain producers. Compensation would, though, be conditional on taking land out of production. Incentives for intensive farming would be substantially reduced, thus helping to conserve the countryside.

FISHING

Statistics issued in mid May by the Scottish Office (see Table 1) show that the value of fish landed into Scotland by UK vessels for the period January to March 1991 was £62.9 million. This value exceeded that of the corresponding period one year earlier by 27 per cent; however, comparisons are difficult as landings were adversely affected by bad weather in the first quarter of 1990.

Whitefish landings of £41 million show a 13% rise in value, largely attributed to a strong upward shift in weight of fish landed (by 28%) with an average price fall of 11%. All main species of whitefish with the exception of haddock exhibited increases in weight of landings. Small decrease in the value of landings were exhibited by both haddock and whiting. In the latter case, an increase in weight of landings of nearly 50% was more than offset by a 40% drop in unit price. Pelagic species (such as herring and mackerel) were landed to a value of £9.1 million, with a 13% rise in the volume of mackerel landings being an important feature.

The underlying trends in declining fish population numbers are certainly not evident in the current values and volumes of fish landings in Scotland, but these trends continue to dominate thinking within the European Community. Mr Manuel Marin, commissioners in charge of the Communities fishing industry, contends that the combination of improved fishing technology and fish-population decline had led to the EC fleet having 40% over-capacity. Of the 35 main Atlantic fish stocks, the mortality rate exceeds a sustainable level in 14 species, including cod, haddock, plaice and herring. Each of these four is very important to the Scottish fishing industry. Mr Marin argues that fishing is no different from coal and iron and steel in that chronic over-capacity characterises the industry.

However, the stringent conservation plans emanating from the Commission are finding little favour with national fisheries ministers. Lack of agreement has reached the point where the Commission is proposing to drop all legal controls over fishing (and thereby allowing a free market) unless EC plans are agreed by the end of 1991.

The main instruments being used to regulate fishing activity at present are the "total allowable catch" (quota) systems, applied to sectors into which EC waters are divided among the member states, and a system whereby the frequency and duration of active fishing by individual vessels is restricted. Limited compensation for decommissioning vessels has also been approved. But plans to "technically" conserve young fish populations (and thus ensure stronger future supplies) by means of restrictions on the minimum mesh sizes and shapes of nets have not yet been agreed.

Another issue of contention concerns monitoring of fishing activity, which is at present done very imperfectly. The Commission favours electronic instruments attached to vessels, but is faced with an array of member states who have neither the will nor the means to enforce current controls. What seems to be of utmost importance is to allocate resources into a major structural charge programme. Fleet capacity reductions of a significant volume will require compensation to owner as vessels are decommissioned. It is also important that such funds are targeted at areas highly dependent on fishing, just as EC regional policy funding is so directed. Unlike manufacturing industry, though, the scale of reduction will not need to increase over time. As capacity (and then effort) is reduced, populations of fish will increase.

Meanwhile, the fish farming industry in Scotland contrives to operate under difficult conditions. Salmon farming expanded at great speed along the Western coast of Scotland after the mid 1980s with output and employment (currently estimated at 3,000 persons) climbing rapidly. However, prices have collapsed from 1989 onwards as the considerably larger Norwegian salmon industry entered a period of chronic over-production. Falling prices have led to a concentration of the Scottish industry, with output being dominated by a smaller number of large and technically-efficient organisations.

Evidence of a recovery in prices began to emerge in the second half of 1990, but more recently a further blow has affected the industry. The use of additives and chemicals to control fish health and to colour fish artificially has attracted considerable adverse publicity. These activities

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

	JANUARY TO MARCH 1991			1991 AS % OF 1990		
LANDINGS BY UK VESSELS	WEIGHT TONNES	VALUE £'000	PRICE £/T	WEIGHT %	VALUE %	PRICE %
Demersal	38,736	41,006	1,059	128	113	89
Pelagic	74,246	9,149	123	113	115	102
Shellfish	9,437	12,764	1,353	237	238	100
Cod	7,200	9,197	1,277	137	134	98
Haddock	8,567	10,956	1,279	90	93	103
Whiting	10,139	5,306	523	147	88	60
Saithe	3,245	1,588	489	162	126	77
Dover Sole	6	18	3,000	120	95	79
Hake	520	1,128	2,169	160	141	88
Lemon Sole	352	673	1,912	118	105	89
Ling	696	572	822	163	145	89
Megrims	668	1,169	1,750	213	162	76
Monks	2,600	5,725	2,202	159	149	94
Plaice	1,187	1,116	940	117	133	113
Skate	1,114	662	594	127	94	74
Sandeels	-	-				
Dogfish Spur	1,186	1,500	1,265	156	129	82
Witches	541	651	1,203	157	133	85
Mackerel	70,644	8,725	124	113	116	102
Herring	3,141	383	122	106	105	99
Brown Crabs	503	605	1,203	142	142	100
Green Crabs	90	43	478	196	205	105
Velvet Crabs	279	563	2,018	202	195	97
Lobsters	66	639	9,682	314	214	68
Pink Shrimp	6	9	1,500	600	970	162
Squid	448	387	864	186	124	67
Scallops	1,090	1,862	1,708	180	172	96
Norway Lobsters	3,207	7,648	2,385	342	324	95
Queen Scallops	1,594	555	348	179	180	101
Periwinkles	431	260	603	120	119	99
Total by UK vessels	122,419	62,919	514	123	127	104
Landings by foreign vessels	1,358	416	306	14	40	276
Total landings in Scotland	123,777	63,335	512	113	125	111

have reduced demand for farmed salmon, thereby adding a further downward pressure upon prices. The importance of quality control has been recognised by the industry as a whole, and the Scottish Salmon Growers Association has introduced a quality tagging system, together with enlarging its research and development budget.

CONSTRUCTION

The latest index of production and construction figures for Scotland show a 2.4% quarterly increase to stand at 107.3 for the fourth quarter of 1990. For the same period the UK as a whole is down 2.0% to 123.8.

Conducting a components of change analysis on the data for 1989 and 1990 provides some interesting results, as presented in Table 1.

TABLE 1 INDEX OF CONSTRUCTION: PERCENTAGE CHANGE

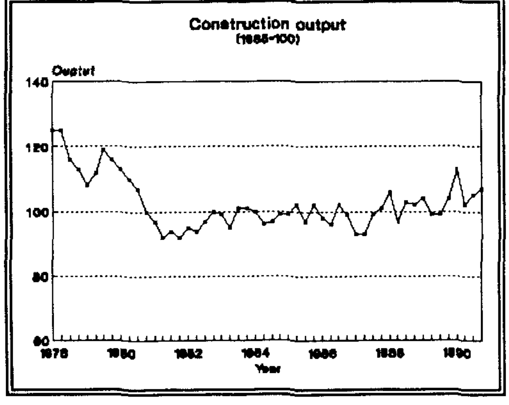
PERCENTAGE CHANGE	SCOTLAND	UK
1989 to 1990	5.5	1.1
2nd half 1989 to 2nd half 1990	4.4	0.4
1st half 1990 to 2nd half 1990	-1.2	-2.9
Q3 1990 to Q4 1990	2.4	-2.1

Source: FAI

This table clearly shows that whilst both Scotland and the UK as a whole peaked in the first quarter of 1990, Scotland has fared much better with an annual increase in 1990 of 5.5% to the UK's 1.1%. In the second half of 1990, compared to the second half of 1989, Scotland experienced an output growth of 4.4% whilst the UK only grew at 0.4% over the same period. This supports the view that Scottish construction was enjoying more of a boom than in the UK as a whole. Addressing 1990 it is clear that Scottish construction output fell at a slower rate than in the UK as a whole; comparing the first and second halves of 1990 shows falls of 1.2% and 2.9% respectively. Scottish output bottomed out in the second quarter of 1990 and between the third and fourth quarter it grew by 2.4% whilst the UK as a whole continued to fall by 2.1%.

The latest Scottish Chambers' Business Survey (SCBS) shows that, in the first quarter of 1991, business confidence remained low with a net balance of 13% of respondents now less optimistic than they were three months ago. However, this represents a relative improvement on the net 32% of respondents who were less optimistic in the previous SCBS. A net balance of 40% of construction respondents are now less optimistic than they were a year ago.

New orders have continued to decline with a net balance of 34% of respondents reporting lower orders compared with 24% in the previous quarter. Demand from central government appears to be the most depressed, although orders from the private sector suffered the greatest relative deterioration over the decline reported in the fourth quarter 1990. Once again, Aberdeen was the only area to report a positive trend in construction orders. A net balance of 13% of construction firms expect total orders to continue to decline.



Construction firms are, on average, utilising slightly less capacity than they were in the last quarter of 1990. A balance of 41% of respondents are now using less capacity than they were in the same period a year ago. The amount of work in progress has fallen for a balance of 21% of respondent firms in the first quarter of 1991. Investment intentions have been revised downwards in both buildings and plant and equipment for nets of 16% and 28% of respondents respectively.

Once again a general pessimism pervades all areas of construction employment, except for Aberdeen. Employment was declining for a balance of 33% of respondents during the first quarter of 1991. Aberdeen retains its positive trend in employment with a balance of 8%. In the Edinburgh Chamber of Commerce area (which is Lothian and Borders region), total employment declined for a balance of 60% of respondents; this was the strongest decline in total employment reported this quarter. During the first quarter 1991, 52% of responding firms attempted to recruit and 10% of these firms faced increased difficulties in recruiting suitable employees. The main problem areas were in recruiting technical and skilled manual employees. Wage increases were awarded by 32% of respondents, with an average settlement of 9%, ranging from 8% in Dundee and Glasgow to 12% in

Fife.

The cumulative total of new orders received by contractors in Scotland for 1990 was down by £218 million; a fall of 9.6%, to £2065 million from its 1989 level of £2283 million, for all new work. The fall is more pronounced in public sector new orders (down 20.3%) than in private sector new work (down 4.1%) reflecting a tightening of purse strings at central and local government. Over the 1989-1990 period, contracts for new private sector housing increased by 18.1% to £621 million, whilst new public sector housing contracts fell by 33.8% to £88 million. Whilst it is dangerous to make too much out of these figures because of the "lumpy" nature of contracts, (i.e. the contract enters the figures in the quarter it is awarded, although it could take many months to complete), the same trend is evident when analysing on a quarter by quarter basis.

The position in Great Britain as a whole is more severe, with large falls across the entire range of contracts obtained by contractors, in 1990 from the 1989 position. Contracts for all new work were down 17.1% to £22,512 million; the public sector was down 17.6% to £5,833 million; the private sector was down slightly less (16.9%) to £16,679, public sector new housing was down 21.7% to £683 million and the largest fall was recorded in contracts for new private sector housing which fell by 25.3% to £4,855 million in 1990 from £6,497 million in 1989.

These figures show that the recession impacted more strongly on the rest of Great Britain than it did in Scotland. Even bearing in mind the lead time involved it is still felt that if the economy bottoms out during 1991 Scotland will not sink to the depths that have been experienced in the overheated South.

The latest National House Builders Confederation (NHBC) figures for the first quarter 1991 show that Scotland's share of applications for housing "starts" relative to Great Britain's has been increasing since 1987. In 1987, Scottish "starts" accounted for 5.3% of UK "starts" increasing to 10.0% in 1990. This alone is not enough to say that Scotland is out-performing Great Britain in relative terms. Table 2 shows that housing "starts" have been decreasing at a slower rate in Scotland than in Great Britain as a whole. It is interesting to note that the rate of decrease in Great Britain is slowing whilst that in Scotland is increasing. This is most likely due to Scotland lagging behind the South,and from this it is clear that Scotland's apparent increasing share of housing starts is due to the faster rate of decline in the rest of the country. Housing "starts" in Scotland were 3,200 for the first quarter 1991 and 12,900 for 1990, UK "starts" were 31,500 and 128,800 respectively.

Housing completions are also slowing for both Scotland and UK as a whole. Looking at a four quarter moving change shows that the rate of change in Scotland is accelerating while that of UK as a whole is slowing, showing that the recession is hitting harder in Scotland while slowing slightly in UK as a whole. The percentage change figures were: 1989-1990, -13.7% and -16.8% for Scotland and UK as a whole, respectively. The latest four quarters (to Q1 1991) on the preceding four quarters give changes of -14.8% and -15.4% for Scotland and UK respectively. This shows that similarly to housing " starts" Scotland has not yet reached the speed of decline experienced in the rest of Great Britain but indicates that while UK as a whole is approaching a turning point, Scotland is still on the steepening downward slope.

TABLE 2 APPLICATIONS FOR HOUSING "STARTS": PERCENTAGE CHANGES

CHANGE	SCOTLAND % CHANGE	UK %
1989 Q1 to 1990 Q1	-	-29.6
1990 Q1 to 1991 Q1	-8.6	-10.0
1989 Q1 to 1991 Q1	-8.6	-36.6
4 quarters to Q3 89 on 4 quarters to Q3 90	-4.1	-29.0
1989 to 1990	-11.6	-21.2
4 quarters to Q1 90 on 4 quarters to Q1 91	-13.7	-15.7

Source: NHBC

In the office property market, uncertainty over the economy and a general lack of business confidence have resulted in a lower level of demand which is likely to continue at least until the third quarter of this year. Aberdeen, on the other hand is experiencing something of a space famine in central locations.. This has serious implications for the local economy as it will impede the expansion plans of local occupiers and deter the re-location of London based oil jobs. Many developers are exhibiting caution, and pure speculative developments are few, with most developers only building if a pre-let has been obtained. BP's decision to vacate the 200,000 square feet former Britoil building and re-locate at Dyce would in other times have been very serious but it is now seen as a blessing in disguise.

The availability of prime shop property is at its highest level for years due to the drastic decline of national retailers acquisition programmes. The worst affected areas are Aberdeen, Ayr, Falkirk and Glasgow, where major schemes were completed as the retail boom lost its momentum in the late 1980s. The short term prospects for rental growth in Elgin and Dumfries are also bleak as there is a surplus of space in the town centres.

The scene is not all doom and gloom however as demand is holding up for standard units in Princes Street, Edinburgh where only large units are not moving. Rents in Greenock have increased and demand in Stirling and the new towns is strong. The overall weak market has enabled Scottish Power and Scottish Hydro-Electric to obtain bargain prime sites for their retail outlets in the run up to privatisation.

It is anticipated that there will be no strong turn up in the market before 1992 and indeed, this is true of the construction industry in general. It is felt that if Scotland can hold on until 1992 then there is a light at the end of the tunnel.

ENERGY

OIL AND GAS

There were marked fluctuations in the volume of North Sea oil production in the early months of this year. Significant increases in output from the Forties, Brae and Brent fields led to the Royal Bank/Radio Scotland oil index rising by 21.2% between January and March. The March average daily production figure of 2.1 million barrels was the highest since October 1989.

However, between March and April, output fell by 470,000 bpd, to reach the lowest total for almost two years. The fall was attributable to the complete shutdown of a number of fields, notably Brent, for normal summer maintenance and for safety work required by the Cullen Report. Other fields will come off-stream during the next few months, and even allowing for renewed production from those currently closed, it may be the autumn before daily output from the North Sea averages much more than 1.6 mb.

Following the cessation of hostilities in the Gulf and consequent removal of fears of additional war-related oil supply disruptions, world oil prices have stabilised somewhat, with Brent crude typically trading at $18 - $20 pb in recent months. Experts estimate that Kuwait will only be able to attain production of 300,000 bpd by the end of this year and will require till the end of 1993 to achieve immediate pre-invasion output of 1.5 mbpd. Similarly, it may take until 1993 for Iraq to reach production of 1 mbpd - one third of its pre-war output.

The dramatic change in the pattern of production and hence "power" among OPEC members as a result of the Gulf war is shown in Table 1.

In early May, the Energy Secretary announced approval for Amoco to develop its twin Lomond and Everest gas fields to deliver gas by pipeline to Teeside to fuel a new power station. The Secretary also approved development of Chevron's Alba field, which will use new technology to extract up to 400 million barrels of relatively heavy grade oil. The value of new developments already approved this year is approximately £3.0 billion, compared with a 1990 total of £4.8 billion.

TABLE 1 OPEC CRUDE OIL PRODUCTION ('OOO BPD)

	March 90	March 91	Change
Saudi Arabia	5778.3	8066.7	+2288.4
Iran	3000.0	3450.0	+450.0
Iraq	3000.0	66.7	-2933.3
Kuwait	2008.3	0.0	-2008.3
All Other OPEC	10033.4	11434.9	+1401.5
OPEC total	23820.0	23018.3	-801.7

ELECTRICITY, COAL AND NUCLEAR

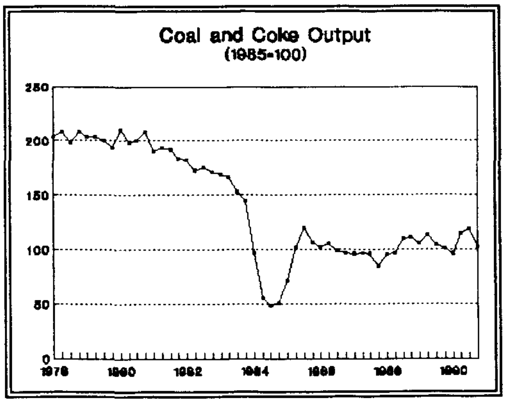
The flotation of the Scottish electricity generators is under way at the time of writing. The setting of the share price at 240p for both Scottish Power and Hydro-Electric implies an average yield of 5.1% and values the companies at £1.96bn and £920m respectively. As the yield is the same as the more volatile generating companies in England and Wales, the flotation is almost certain to be completed successfully, despite the price being higher than previously expected. Both companies will be takeover proof, with a government golden share and a 15% maximum limit on shareholdings.

The basic properties of the two Scottish businesses are fairly well known. Since Scotland has excess electricity supply, competition north of the border is likely to be limited in the medium term. Hence, only eight large Scottish electricity users changed suppliers in 1990, Scottish Power losing 1% of business, Hydro Electric 0.6%.

Low demand growth is expected in Scotland, with the trend for Scottish Power estimated at 1% a year. This is partly a result of the run-down in the steel industry and the potential closure of the Rosyth naval dockyard. Therefore, the electricity companies' expansion can come about only through exporting electricity or by involvement in external generating projects.

Profits from cross border sales are currently estimated at 4% of Scottish Power's total, 7% of Hydro Electric's. One stockbroker estimated that these proportions could grow to 19% and 22% respectively by 1996/7. Exports are being pursued through the expansion of the interconnector to England from a capacity of 650MW by a further 950MW at a cost of £100m. There are also indications that Scottish Power are considering an interconnector to Northern Ireland, which has higher electricity prices than Great Britain.

Hydro Electric appear to be pursuing the external generating path more aggressively. They are the lead partners in a £350m project to build a 750MW power station on South Humberside by late 1993 or early 1994. Project Neptune, the Hartlepool scheme with Hydro Electric involvement, is still under consideration, although the connection to the national electricity distribution grid will not be available until late 1995. One potential problem is that there is no 'pool' or spot market for electricity in Scotland. In the presence of excess supply, this could lead to a price war between the Scottish companies, which would clearly not be in the companies' interests.



On the generating side, low cost Miller field gas supplies have been forecast to add 10 to 11% to current profits. The competitive advantage has been enhanced by British Gas' price increase for new generating customers.

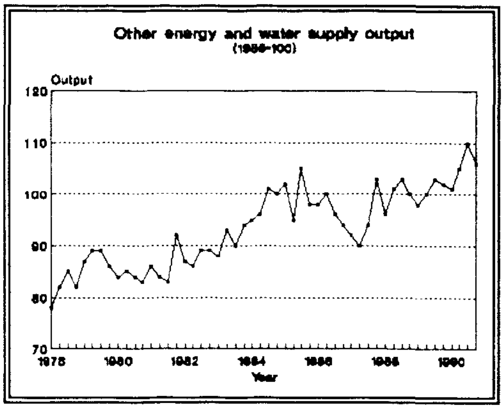
Longhand power station is to be required to bring on-stream flue gas desulphurisation plant by 1995/6, rather than 1997/8 as previously expected. The new timetable entails a start on construction in 1992/3. The coal used in Longhand has lower sulphur content than in many large English power stations, therefore producing lower acid-rain related gases. However, the motivation behind this requirement was to ensure a level playing field in competition with the two major English/Welsh generating companies. Hence, had Scottish Power not wished to comply, they would have been prohibited from exporting Longhand-generated power to England. Hydro Electric take part of the power from Longhand and hence face similar costs and conditions.

The investment required in Longhand, the interconnector and non-Scottish generating capacity will all increase the borrowing:equity gearing ratio of the companies from 40-50% to around 80% in the next few years. This is considerably higher than National Power or PowerGen.

As a result of the less competitive supply conditions obtaining in Scotland, the regulatory environment for non-competitive supplies is tighter than south of the border, with price increases restricted to 0.2% below inflation. Efficiency gains will at least compensate the electricity companies for this. In the case of Hydro Electric, the potential for increased domestic gas connections also provides some competition. Competition could also be increased by granting access to the interconnector for Scottish Nuclear.

The European Commission are taking steps to develop a competitive single market in electricity. They have issued a deadline to most EC member states, including the UK, over the issue of national protection of markets. Should a single market in power be successfully brought about, there will be three implications for Scotland's electricity industry. First, there could be increased competition for the English and Welsh market from France. Electricité de France maintain that they now receive no direct government subsidies, although their prices are controlled. As we have seen in the British context, however, it is also possible to support nuclear generation through low interest loans. Second, there is the issue of the direct subsidy by write-off to Scottish Nuclear Ltd. and thus indirectly to the privatised Scottish electricity companies. Thirdly, the provision of the interconnector to Northern Ireland would make Scottish electricity exports to the Republic of Ireland theoretically possible.

The March Consulting Group in a report for the Department of Energy suggest that the use of world best-practice electrical appliances would save 24 000 GWh. Such a policy would require government intervention, for example in labelling.



Energy savings also opens up a potential market for the Scottish electricity companies. In many major American states, electricity utilities have entered 'total cost' contracts with their clients. Effectively, this allows the electricity companies to claim payment for their client's power savings. Two conditions make this possible: the integrated structure of the utility companies and the states' stipulation of an energy conservation clause in the utilities' regulatory framework. Scotland has the former, not the latter. However, once the enlarged interconnector is at capacity, the Scottish companies will have an incentive to introduce 'total cost' contracts. If they can claim payment for reducing their customers' electricity usage, they will effectively be able to sell the saved power a second time.

In the coal industry, the campaign to reopen Monktonhall colliery has achieved a meeting with the deputy chairman of British Coal. The campaign emphasises Monkonhall coal's low pollutant content and thus its suitability for use as feedstock to Cockenzie power station. The campaign says that the pit can be operated with 370 workers, less than comparable mines.

The British coal industry as a whole continues to face very serious problems in the wake of electricity privatisation. Currently, imported coal is 30% cheaper in southern England than British coal. Current coal contracts expire between 1993 and 1995. As a result, PowerGen and National Power are planning investment in coal staithes. The prospect is for a cut of at least 50% in demand for domestically produced coal, although the potential for transport cost savings may limit the decline. The 'UK Coal Review' has suggested that the impact of EEC low-sulphur regulations which come into force in 2003 would lead, under present policies, to at most four power stations being UK coal-fired. This would entail an uptake by the two big generators of 20 million tonnes a year, as opposed to the 75 million tonnes currently used. The possibility exists for only one or no power stations using British coal.

It has previously been suggested that major use of imported coal would increase the price, as this is a fairly thin market. However, the major generators could hedge against price rises or even buy overseas mines. Considerable potential unused mining capacity is said to exist worldwide, at a time when demand for coal will be limited by environmental concerns.

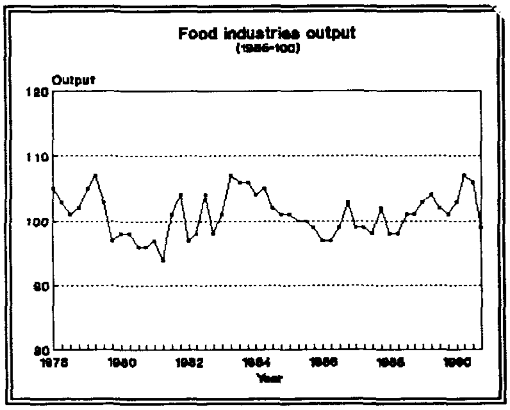
The British coal industry could therefore be at least halved in size over the next few years. There is one ray of hope. The two motivating forces are cost and environmental concerns. Both are addressed by new coal technology now being developed. Elsewhere in Europe and North America, fluidised bed combustion power plants are being introduced. British Coal have developed the 'Topping Cycle', a combination of the new combustion technology with partial coal gasification. This process is stated to reduce sulphur emissions by up to 99% and nitrogen emissions by 80-90%. Since the combustion efficiency is increased from 35% to 46%, a reduction in carbon dioxide emissions would be obtained. Although the government has committed £20m to research and is reviewing the area, no assistance for commercial plant has been made available. Without government support, the technology appears too risky for private sector investment.

It would appear that the best hope for retaining a large-scale coal industry is government support for the implementation of new coal technology.

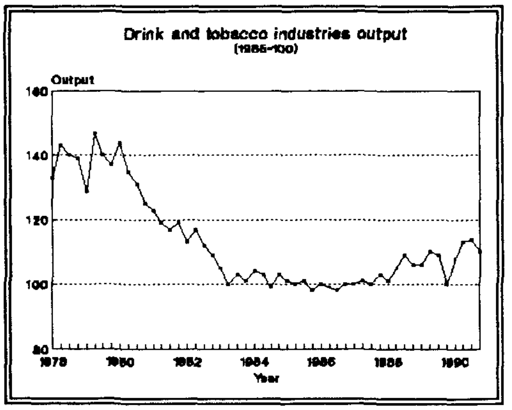
MANUFACTURING

FOOD, DRINK AND TOBACCO

In the year to December 1990 the index of production for the food industry in Scotland stood at 114, 1% higher than the index level for 1989. This is despite a very sharp 7% fall in the final quarter; by comparison, the UK index fell by only 1% in the final quarter, but also rose by 1% for the year as a whole.



The drink and tobacco index showed a significantly greater rise during 1990, increasing by 5% to stand at 111, compared with a UK index of 109 following a 3% increase. The rise in the Scottish index occurred despite a 3% decline in the final quarter which was not matched by the UK index. The Scottish index has risen modestly each year since 1987, and 1990 is the first time in five years in which the Scottish index has exceeded that of the UK.



The Scottish Chambers' Business Survey provides more recent data relating to this sector. In the first quarter respondents remained on balance slightly pessimistic about future prospects, with a net -4% feeling more optimistic compared with last quarter and -20% compared with last year. In contrast with last quarter's results, this feeling of pessimism is reflected in the figures for new orders and sales, both of which showed balances of -7%. Exports orders showed particular weakness, with net responses of -13% for both sales and new orders.

Nevertheless, firms in this sector clearly expect things to improve very quickly; positive balances of 22% and 31% were returned for expected new orders and sales in the second quarter, with both home and overseas orders showing expected increases.

In contrast to the expectations indicated in the fourth quarter survey, a marginal (2%) balance of responding firms experienced increased employment during the first three months of the year, and a net 6% expect further increases in the second quarter. There is, however, some indication of an actual and anticipated move away from full-time towards part-time employment.

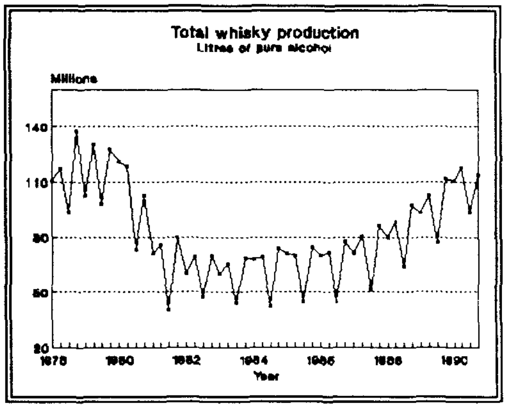
The March Commentary mentioned the receivership of Forth Valley Foods. Happily the company has been bought from the receivers, although the company no longer remains in Scottish control. The new owners are Unichips Finanziaria of Milan, the leading crisp manufacturer in Italy. In addition to safeguarding the jobs of the 80 workers, Unichips are already talking about the possibility of expansion, using the newly-renamed Highlander Snacks as a basis for the company's development into the UK. A similar story concerns Duncans of Edinburgh, the chocolate manufacturers. The company was closed by Rowntree Mackintosh in 1987, but revived by a group of ex-employees the following year. In April Duncans went into receivership, but they too have now been purchased from the receivers. Unfortunately, only half of the 40 employees have been retained in the new version of the company, and the Edinburgh premises are to be sold in order to reduce the company's debts.

Still on the topic of changing ownership, this time to Scotland, is the massive management buyout of Devro's UK operations based in Moodiesburn. The £107 million buyout from the American group Johnson & Johnson is the biggest ever seen in Scotland, and involves the bulk of the worldwide activities of the sausage skin manufacturer, which also has a factory in Bellshill. Weaning Devro from Johnson & Johnson has been a long and arduous task, involving two previous failed management buyout attempts in 1984 and 1990, the first by the Scottish managers and the second by the American managers. The US and Australian elements of the business are also included in the deal, and although the chief executive of the new holding company will be based in London, it has been stressed that Devro will become a Scottish registered company with most of its head office functions being located at the Glasgow plant.

WHISKY

Over the last eighteen months successive Commentaries have made the point that while the value of whisky exports has been rising reasonably steadily, volume growth has been slightly negative. In the first quarter of 1991 the volume of exports took a sharp turn for the worse, falling 9% below its 1990 level to 49.5 million litres of pure alcohol (LPA). Even in the nadir of 1983-84 first quarter exports did not fall below 50 million LPA, and indeed these are the poorest first quarter's figures for almost twenty years.

As has been the pattern over the last year the largest percentage fall occurred in bulk blended exports, which fell by 18.2% over the corresponding period in 1990 to 6.7 million LPA. However, much of the decline in absolute terms is accounted for by a 4.9% fall in bottled-in- Scotland blends, the bedrock of the industry; BIS blended exports stood at 37.3 million LPA for the first three months of the year. By contrast, BIS malts increased by 2.8% to 1.8 million LPA. One cannot, of course, read too much into a single quarter's figures, and it may be the case that exports will recover later in the year. It is also worth mentioning that the value of exports rose by 7.4%; but this is in nominal terms, and after allowing for inflation the growth in value is virtually zero.



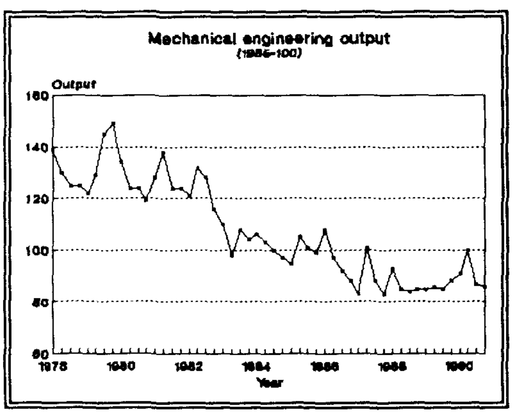
There is no doubt that the whisky industry is suffering from the rapid slowdown being experienced by most major industrialised countries which form the main export markets for Scotch whisky. In Japan, for example, tight monetary policy is causing a rapid slowing of consumer expenditure, and luxury imports, which include many brands of Scotch whisky, are among the first to suffer from this. This is one of the reasons why the cutting by Japan of its discriminatory duties on imported spirits has not led to the boom in Scotch exports which might have been hoped for, although there undoubtedly has been a marked increase in the value of exports to Japan since the tax regime was altered.

Meanwhile, production of Scotch whisky continues to rise. Total production in 1990 was 436.2 million LPA, a level unseen since the boom of 1978-79 when export levels were considerably in excess of those currently being experienced. With further capacity increases apparently still being considered one can only hope that the producers are able to maintain the margins which they have recently enjoyed and that the major economies of the industrialised world start to pick up again in the near future. If not, and as we have argued for the last two years, the problem of excess stocks is sure to reappear with all its attendant problems of discounting.

Two pieces of company news have appeared in the last quarter. Highland Distilleries' half-year profits to February rose by 19% to £15.1 million on turnover which rose by 14% to £95.6 million. As has consistently been the case in recent years, the Famous Grouse outperformed the market both at home and overseas, with export volume up 20% and home sales rising by 3% against a domestic market which exhibited a 4% fall overall. Not surprisingly, the Highland management and the industry in general are unhappy at the increases in VAT and excise duty which were announced in the last budget which will make it all the more difficult to get the home market moving again. In the year to March, Macdonald Martin's pre-tax profits rose by half to £8.3 million on sales which rose by 21%, with most of the increase attributable to the first half of the financial year. Glenmorangie continues to do well, now responsible for 17% of the UK market. However, sales of the company's blended whiskies have fared worse as a result of the recession, down 10% by volume in the year.

MECHANICAL ENGINEERING

Although the industry is clearly in recession, this has not yet been reflected in the backward-looking official statistics. In the final quarter of 1990, the index of production for mechanical engineering stood at 86. This represents a fall of just over 1% from the previous quarter. The figures for the whole of 1990 show growth of below 6% on 1989. These are not yet indicative of a downturn in the industry, although they show one for the industry in the UK as a whole. Similarly, employment in Scotland in the engineering, metal goods and vehicles stood at 169 000 in December 1990, unchanged over the previous quarter and an increase of 2000 over a year earlier.



A contrasting picture is painted by the Fraser of Allander Institute/Scottish Chamber of Commerce Business Survey for the first quarter of 1991. The balance of views on trends in the industry's general business situation was strongly negative. Similar responses were made to questions on trends in new orders and sales. The exception to this was that responses to questions on export trends, although negative for the past quarter, showed slightly positive expectations for the coming three months.

The conclusion to be drawn from this conflict is that Scottish mechanical engineering has been late into recession and that it had not reached a turning point during the first quarter. The good news from exports is mitigated by the fact that positive expectations in the previous survey have not come about. It is also possible that the sector may also lag the economy in recovering from the recession, as it did in the mid-1980s.

The main current constraint on output is seen as orders or sales, with 77% (up from 65%) of respondents citing this restriction. Interestingly, despite the attention being given nationally to banks' relations with industry, only 4% of respondents considered credit to be their major limitation.

The lack of skilled labour appears to be easing slightly as an immediate constraint, with 10% of respondents considering this to be their major limiting factor, as opposed to 15% in the previous survey. However, recruitment difficulties were still experienced for (in descending order) skilled manual employees; technical staff; and professional and managerial posts. As these difficulties have not lessened since the last survey, this is fairly worrying for the middle of a recession. The bright spot is that 24% of respondents stated that they would increase training provision, as opposed to 6% who intend to reduce it. However, the proportion of positive responses is, as one would expect, down from the previous quarter. Given these skill shortages, the average wage increase of 9.3% cannot be considered surprising.

This view is generally borne out by the 'Engineering Economic Trends' report from the Engineering Employers' Federation. At a UK level, they estimate that a further 90 000 engineering jobs will be lost this year, making a total of 210 000 over three years. Output is expected to decline further by some 2% between the first half of this year and the first half of next. The central concern is the decline in capacity that will be engendered by the recession.

A very similar story is told by the Amalgamated Engineering Union in its report, 'Manufacturing Job Losses Survey No. 2'. It identifies 3829 manufacturing job losses in Scotland, of which at least 1000 are from mechanical engineering establishments. That said, Scotland seems to come off fairly lightly when compared with other economic regions.

Scottish firms appear to have managed the entry into recession fairly effectively. Babcock International Group increased pre-tax profits in the 1990/1 financial year by 9.6% to £46.7m on turnover of £760.6m, which was 21.8% higher. The company's presence in comparatively stable industries such as oil, gas and pollution control is seen by industry commentators as helping defend it against recession.

Babcock's energy and management division accounted for £199.71m of turnover, up from £142.47m, and £15.5m of profit, increased from £15.2m. While the previous year's figures had included higher final contract stage payments, the 1990/1 figures included the first year of the five-year Drax flue-gas desulphurisation project. The division had also been affected by the termination of the Iraqi Al Anbar power station project. This caused 170 redundancies and £0.5m costs.

The construction and process management division increased turnover from £149.61m to £184.37m, bringing about a 40% growth in profits to £10.48m. Facilities management, including the operation of Rosyth Dockyard jointly with Thorn EMI, increased profit to £10.68m, turnover growing from £164.97m to £178.93m.

Darchem, the engineering division of William Baird, increased operating profits from £12.5m to £12.83m on turnover of £120.22m, itself up from £109.5m. Growth was slowed by the slump in the car and construction industries.

Brown Brothers, the Edinburgh marine engineering subsidiary of Vickers plc, have won two major orders. One, worth £2.7m, is for fin stabiliser systems for two Spanish Navy frigates. The other, valued at £1.04m, is for two shipsets of large stabilisers for a Swedish ferry being built in Kodja shipyard, Indonesia.

The Motherwell Bridge company, which is involved in the Clydeside incinerator planning dispute, has formed a new company, Motherwell Bridge Envirotec, to treat solid wastes, clinical waste, sludge and effluent. The campaign against the Clydeside incinerator sees these as potential new uses for the plant. The firm has also bought the Swiss based Dano AG, a refuse composting company. Motherwell Bridge have also entered a consortium to build and operate UK waste-fired power stations, provided clinical waste incinerators to Belgium and licenced sludge drying and inceration designs with Deutsche Babcock Anlagen.

ELECTRONICS

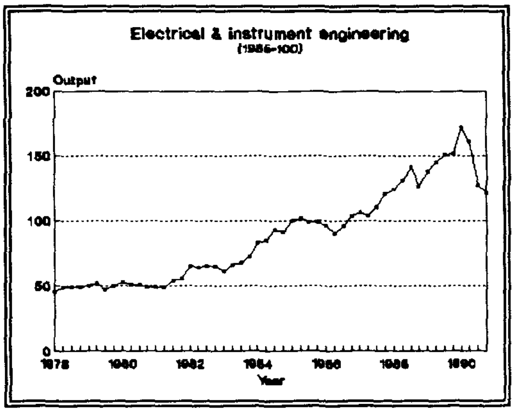
Figures published in the most recent edition of the Index of Production and Construction for Scotland appear to confirm that the very sizeable reduction in output recorded in the electrical and instrument engineering sector between the second and third quarters of 1990 reflected events quite adequately, and was not due to inadequately based estimates. The figures (slightly revised) released in May this year show that output in the sector did indeed fall very substantially by 21% over the above time period, as discussed in the last issue of this Commentary. This is a massive drop for any sector to experience over such a short time period, and it is of course of particular concern that it should occur in the electronics sector which was the country's leading growth performer over the 1980s. A measure of its growing importance can be seen by the fact that, between 1983-90 before the third quarter drop, output in this sector grew by 113% compared to only 21% for all manufacturing (including electronics). Although employment growth has failed to match that of output, its significance as a provider of jobs has also increased in recent years. For example, since 1978 employment in non-electronics manufacturing more than halved while employment in electronics grew by 17%. And in 1988 (the most recent year for which data is available), the sector provided over 20% of all capital expenditure in Scottish manufacturing (all of the above figures are taken from the Industry Department for Scotland). Although the data may again be subject to revision, there is little doubt that in 1990 the industry in Scotland experienced a serious drop in output which is unprecedented in recent years. During the same time period, the index for all production fell by only 6.7%, so that this relatively poor performance by electronics is a source of serious concern.

One ray of hope is that the figures for the period between Q3 and Q4 1990 show a much smaller fall so that the worst effects of recession may have been worked out. The reduction of 4% during this quarter is still slightly in excess of that recorded in all manufacturing (2.9%), but is less than that recorded for the electronics industry in the UK as a whole, which fell by 6%. There is therefore, perhaps, some evidence that the situation in Scotland is beginning to stabilise, albeit at a reduced level of output.

Short term prospects for recovery, however, appear to be limited, according to the results of the most recent Scottish Chambers' Business Survey carried out in April. There, 71.8% of respondents felt lack of orders was the factor most likely to constrain output over the next three months, indicating that the effects of recession are not likely to lift in the recent future. Additionally, almost half of respondents felt less optimistic than one year ago and 48.3% felt that sales were unlikely to increase in the short term. Average capacity utilisation was reported at 81.1% across the sector, an increase of 6% on the results from the previous survey. In view of the above, however, this is more likely to have occurred as a result of companies reducing capacity because of reduced sales and not because of increased orders.

There have been relatively few developments amongst local companies, but those which have occurred have been of a worrying nature. A source of potentially very significant concern is the news that Scotland's largest electronics employer, IBM at Greenock, is to shed around

50 jobs. IBM has been hit by falling sales (down 17% in the first three months of this year) and is implementing a rationalisation programme which aims to cut up to 2,000 jobs across the UK. No redundancies are planned and the jobs at Greenock will go through voluntary severance and early retirement schemes. One contrary good piece of news for Greenock, however, is that part of the rationalisation programme will involve the transfer of responsibility for some service functions, including purchasing, to the plant.



Additionally, another 250 jobs are to be lost at the GDT plant at Kirkcaldy, where there has until recently been a strong revival of fortune when the company began to make mobile telephones. GDT will now employ only 300 when the redundancies take effect in September compared to 1,100 employees there last year.

However, more encouraging piece of news has recently emerged, the decision of the Japanese photocopying company Canon to open a manufacturing plant in Glenrothes, expected to provide about 150 jobs. This is the company's first manufacturing facility in the UK (although it employs about 2,000 people in sales and marketing) and the decision to open in Glenrothes was taken in the face of competition from other sites in England and Wales. The decision not to go to Wales is a notable aspect, since Scotland is still some way behind Wales in attracting Japanese companies - Wales has over 40 companies compared to around 30 in Scotland, despite Scotland's much longer history in attracting multi-nationals. The Canon decision is further evidence that Scotland is beginning to penetrate the market for Japanese foreign direct investment much more effectively.

The Glenrothes factory will supply parts for photocopiers for the company's factories in France, Germany and Italy when the plant becomes operational in early 1993.

CHEMICALS AND MAN-MADE FIBRES

The latest index of production figures for Scotland show that this sector fell by 4% to 97 in the fourth quarter of 1990. This is the first time in three years that Scotland has fallen below its 1985 level of 100. The year on year comparison shows that there was no overall change with both 1989 and 1990 standing at 104.

The position in the UK shows that Scotland still lags behind. The fourth quarter figure for the UK is 115, which is down 3% on the previous quarter. Comparing 1989 with 1990 shows a fall of 1% with the 1990 figure of 118 one below the 1989 level of 119.

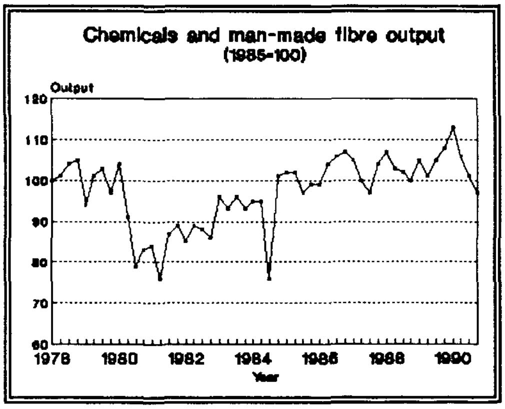
The latest Scottish Chambers' Business Survey (SCBS) for the first quarter 1991 states that a balance of 7.4% of respondent firms are less optimistic, in the first quarter 1991 than they were in the last quarter 1989, about the general business situation. This is a relative improvement over the first quarter 1989 when 30.7% of respondents were less optimistic.

The total volume of new orders in the first quarter 1991 was up for a balance of 28.6% of respondents and 14.3% expected to see an increase in new orders in the second quarter. Orders to the rest of the Uk were weakest, (for respondent firms), in the first quarter, with 16.6% seeing a decline. This is however expected to improve in the second quarter, with a balance of 8.3% of firms expected to improve in the second quarter, with a balance of 8.3% of firms expecting orders to the rest of the UK to improve. Total sales, not surprisingly, shows a similar picture with 15.8% of respondent firms experiencing an improvement in total sales volume in the first quarter of 1991. Scottish sales and export sales show positive balances of 4.4% and 10.5% respectively for the first quarter 1991 whilst sales to the rest of the UK are down for a net 12.5% of respondents.

A balance of 4.0% of respondents saw a reduction in their stocks of finished goods in the first quarter, work in progress had increased for a net 8% and stocks of raw materials were up for a balance of 16.0% of respondent firms. Capacity utilisation averaged 76.5% for respondents in the first quarter which was down for a balance of 4.2% of respondents on the same period a year ago.

Investment intentions have been revised downwards for balances of 7.7% and 4.0% of respondents in plant and equipment and land and buildings, respectively. Of investment authorised during the fist quarter 1991 the most popular reasons were for replacement (44.6%) followed by introducing a new project (22.2%) and to increase efficiency. Insufficient orders or sales was cited as the most likely limiting factor in the second quarter 1991 for 95.8% of respondents.

Total employment is down in the first quarter of 1991 for a balance of 11.6% of respondents, and a net of 3.9% expect it to be down in the second quarter. Respondent firms experienced strong reductions in their temporary, sub-contracting and self-employed requirements with net balances of 20%, 15.4% and 20% respectively. The brunt of internal employment loss is in female and part-time employment with firms reporting net declines of 4.2% and 9.5% respectively. Pay increases, averaging 9.7% were authorised by 42.3% of respondent firms, during he first quarter 1991. Training provision is expected to increase during the second quarter for a balance of 30.8% of respondent firms. Recruitment difficulties experienced by the 46.2% of respondents who attempted to recruit in the first quarter were mainly recruiting skilled manual (40.0%), 16-24 year olds (30.0%), professional and managerial (27.3%) and technical (27.3%) employees.



Dwindling imports helped the UK chemical industry's trade balance to rise by 21% last year. In 1990 exports exceeded imports by more than £2,300 million compared with a gain of £1,900 million in 1989. Chemical exports reached almost £13,200 million in 1990, 6.7% higher than in 1989, although during the last quarter of 1990 exports by UK chemical companies slackened considerably. Fourth quarter exports amounted to around £3,300 million in 1990, which was abut the same as in 1989.

Meanwhile imports of chemicals into the UK showed only a limited increase in 1990. They reached £10,800 million last year, a rise of 3.7% over 1989. In Western Europe sales by UK chemical companies rose by 10% to £8,400 million last year. In contrast UK sales to Eastern Europe fell by 12% to £325 million. Despite the worsening US recession and the strong pound, exports to North America remained steady at around £1,300 million. Sales to the developing countries of Africa and Asia rose by 5% while, despite the Gulf crisis, Middle Eastern exports increased by 4%.

Chemical production in the UK fell by around 3% in volume terms last year, severely affecting demand for some imported products. Imports by EC countries increased by 5% in 1990 but sales from other West European countries showed no increase. East European deliveries fell by 10%.

The annual investment intentions survey conducted by the Chemical Industries Association (CIA) shows that investment in the UK chemical industry fell by 8% in real terms in 1990 and is set to decline by a further 4.5% in 1991. Mr Keith Wey, the CIA's senior economist warned that "1991 is going to be a very tough year and if the economic outlook and performance do not improve or show signs of improving in the second half, this year's investment programme may still prove to be too optimistic". This is also the case in Scotland as the SCBS shows.

The CIA is now predicting a 3% to 4% fall in UK chemicals output in 1991 (its previous forecast, in January, was for a one or two per cent decline in 1991). The investment survey shows a continuing downward trend through 1992 and 1993 where it is forecast that new capital spending will be down 14% (1991-1993) in real terms compared with 1988-1990. In the recession 10 years ago chemical investment fell more sharply; the 1981-1983 level was 36% down on 1978-1980.

Capital spending on plant, machinery, vehicles and buildings was £1.86 billion in 1990. That was 23% lower than the prediction for 1990 investment made a year ago, before the full force of the recession had struck the chemicals industry.

Many executives in the chemicals industry are concerned about over-capacity, particulary in petro-chemicals and for them a decline in the industry's capital expenditure is good news. Mr Bryan Sanderson, BP Chemicals chief executive said "one would hope that investment intentions would be reducing, particulary in respect of capacity expansion leaving only those projects based on genuine competitive advantage".

Imperial Chemical Industries (ICI) is currently preparing to repel boarders after Hanson bought its 2.8% stake in the chemicals group. Senior government ministers are concerned that any bid for ICI by Hanson would hurt the government in the run up to the general election. The government could be put in an almost impossible position, as an outright bid for ICI by the acquisitive industrial conglomerate, could well become one of the most highly charged industrial policy issues of recent years. Ministers are publicly committed not to intervene as the situation develops, arguing that any decision on a bid should be left to ICI's shareholders and the European Commission competition authorities. It is widely expected that the EC would take precedence over UK authorities in vetting a bid. Yet ministers believe they would face a political campaign of mounting ferocity to intervene to prevent one of the country's largest industrial groups from being broken up. The fear is that the government would look impotent in the face of such a campaign and that it would highlight Hanson's long standing financial support for the Conservative Party. It is doubtful whether the UK could claim authority over the bid but Department of Trade and Industry officials are investigating whether there would be any grounds on which the Office of Fair Trading and the Monopolies and Mergers Commission could review it. It is unlikely that the MMC could vet the bid on national interest grounds as these are narrowly proscribed under the EC's rules to strategic industries such as defence or on grounds that a takeover would create a monopoly in the UK market.

ICI has a UK workforce of 53,000 employed at more than 70 sites throughout the country, 32 of which employ 200 or more people. Three of the larger plants are in Scotland, Ardeer employing 1,300 in the manufacture of explosives, Dumfries makes explosives and also petrochemicals and plastics with a workforce of 1,000 and thirdly, Grangemouth employing 1,400 and producing pharmaceuticals, specialist chemicals, seeds and agrochemicals. ICI's UK interests directly affect 40 parliamentary constituencies some of them marginals and it is likely to be able to count upon cross-party support from many MPs.

TEXTILES, LEATHER, CLOTHING & FOOTWEAR

The fourth quarter of 1990 saw the index of production in this sector fall back 3.8% to 101 in Scotland. The year on year comparison shows a fall of 2.9%, from 105 in 1989 to 102 in 1990. The Scottish index is still above the UK which is down 3.2% to 92 in the fourth quarter 1990. Comparing 1989 with 1990 for the UK shows a fall of 2.0% from 98 to 96 respectively. Thus in the 1989 Q1 to 1990 Q4 period Scotland is falling at a faster rate than the UK as a whole (2.9% compared to 2.0% respectively). This is due to Scotland's worse performance in 1989, where, comparing the first half of 1989 to the second half, Scotland fell by 6.0% and the UK fell by 2.5%. In 1990 however, Scotland out-performed the UK as a whole with a (first half 1990 compared to second half 1990) gain of 0.5% as against a fall of 4.6% in the UK as a whole.

The latest Scottish Chambers' Business Survey (SCBS) for the first quarter of 1991 shows that a balance of 10.1% of respondents are less optimistic about the general business situation in this sector than they were in the last quarter of 1990. This is, however, a relative improvement on the same period a year ago when the balance of optimism figure was -45.8%.

The trend in the total volume of new orders is downwards for a balance of 49.3% of respondents and a balance of 34.6% expect this trend to continue in the second quarter. The largest decline is in orders to the rest of the UK which are down for a balance of 59.2% of respondents, in the first quarter and a net 49.2% expect this to be the case in the second quarter are well. Scottish orders and export orders are also down for over a quarter of respondents, with little change expected in the second quarter.

The position in total sales volume is broadly similar with a balance of 47.2% of respondents experiencing a downward trend during the first quarter and a net of 29.6% expecting this to continue in the second quarter. Once again it is sales to the rest of the UK which is the main culprit for a balance of 57.1% of respondents in the first quarter and a net 44.3% foresee no respite in the second quarter. Sales to Scotland are down for a net 35.3% of respondents; worse than new orders perhaps an indication of a slight future improvement, and export sales are down for a balance of 26% of respondents.

Overall there is little change in the stocks of finished goods held by respondents with a net 1.7% of respondents holding more than in the previous quarter, but a balance of 7.5% of respondents expect stocks to fall in the second quarter. Work in progress is down for a balance of 19% of respondent and a net 27.7% expect work in progress to be down in the second quarter as well. Stocks of raw materials are down for a net 7.1% of respondents with 30.8% expecting them to be down in the second quarter as well. Current capacity utilisation is 76.7% for the first quarter 1991, which is down for a balance of 50.3% of respondents on the same period last year. So we have a sector working at three quarters capacity, running down its stocks of finished goods, with work in progress falling at an increasing rate and running down its stocks of raw materials. This is very clear evidence of an industry trying to tighten its belt and survive the recession, but it is not a situation that can continue indefinitely without casualties.

This conclusion is further substantiated when one addresses investment intentions. Investment intentions have been revised downwards for plant and equipment and land and buildings for balances of 26.5% and 23.0% of respondents, respectively. This trend is expected to continue in the second quarter for 27.4% and 21.9% of respondents respectively. Of actual new investments undertaken, the major reason was to increase efficiency (39.5%), followed by replacement (26.1%). For 83.6% of respondents the greatest limiting factor to output in the next quarter is orders or sales.

Comparing the first quarter of 1991 with the fourth quarter of 1990, in terms of total employment, a net of 28.2% of respondents experienced a downward trend and a balance of 36.5% expect the trend to be downwards in the second quarter.

There was a strong downward trend for all categories of employment with male, female, full-time, part-time, temporary, sub-contracting and self-employed working falling for 31.5%, 26.4%, 23.1%, 24.1%, 34.6%, 17.1% and 31.3% of respondent firms respectively. The expected trend for the second quarter 1991 is worse for all categories of employment except temporary employment which "improves" to a balance figure of -29.4%, the remainder all deteriorated with female and full-time work the hardest hit with expected balances of -36.1% and -34.3% respectively.

A balance of 54.5% of respondent firms decreased overtime working in the first quarter and a net of 34.4 expect to do so in the second quarter. In addition short time working has increased for a balance of 18.9% of respondents and the same percentage expect it to increase during the second quarter. One third of respondents attempted to recruit staff during the first quarter 1991 and 28.2% of respondents experienced difficulties in recruiting part-time workers, 22.4% experienced difficulties in recruiting skilled manual workers and 18.0% had problems recruiting clerical and technical staff.

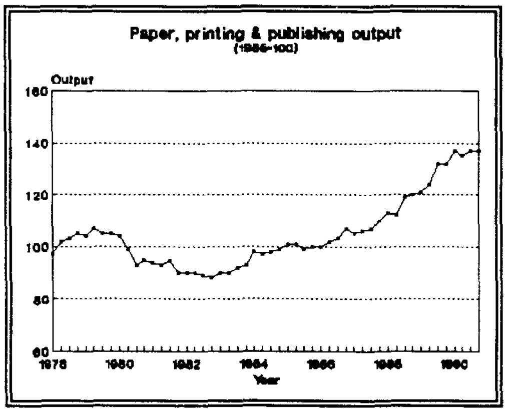
Thirty-five employees have been made redundant as a result of Haddow Aird and Crerar, one of Ayrshire's four remaining lace manufacturing companies, going into receivership. The search is going on for a possible purchaser for the 110 year old company, which has a healthy order book but has been over-trading and is under-capitalised.

Coats Viyella's increasingly hostile takeover bid for Tootal continues to be in the headlines. As reported in the March Commentary Coats offered £194 million for Tootal, this offer has now been increased to £252 million. The takeover has been one of the most acrimonious seen for many years, with both sides accusing the other of creative accounting amongst other things.

PAPER, PRINTING AND PUBLISHING

The Index of Production and Construction for scottish paper, printing and publishing remained unchanged at 137 (1985=100) from the 3rd to the 4th quarter of 1990. This level represents a 9% increase over the year. The UK Index declined by 3% in the 4th quarter.

The March Scottish Chambers' Business Survey indicated an increase in optimism in the 1st quarter for Scottish paper, printing and publishing firms. The balance of optimism rose from -41% to +3%. Despite this increase in optimism, orders and sales remained depressed; the exception was export sales where the balance was +23%. Export orders were also the most optimistic area with a balance of zero. 76% of respondents cited a lack of orders or sales as the major constraint on output. Total employment declined for a balance of -21% of respondents. Overtime and short-time working in the industry declined for a net of -27% and -6% of respondents respectively.



SERVICES

FINANCIAL SECTOR

The current slowdown and lack of growth in both the economy and the financial sector point to the advisability of businesses reviewing their current direction and strategy. This is particularly true of the financial sector which is seeing the long boom of the 1980's replaced by the squeeze of the 1990's. As profits become harder to obtain it is worth asking both whether the financial sector has now run out of growth and if the policy of encouraging growth and expansion in financial services in Scotland should be reappraised.

The recent slow growth in financial services is easily demonstrated. Both the Bank of Scotland and the Royal Bank have announced profit declines in the last quarter. The Bank of Scotland saw profits down from £193.5m to £134.1m largely as a result of bad debts, a difficulty that appears to be continuing, whilst the Royal Bank made £72.4m before tax against £173.6m for the same six months last year. The problems are not confined to banking. General Accident has suffered significant losses in its insurance business whilst in fund management both Ivory & Sime and Murray Johnstone have reported redundancies. Within the life sector the gloom has not been so widespread but it is interesting that recent surveys of business report a significant slowing in premium growth as we would expect with a continuing depression in the housing market and rising unemployment. At the same time the problems of FIMBRA and its significant decline in membership has particular implications for the majority of Scottish life offices with their dependence on Independent Financial Advisers for distribution and sales of their products. A strategy based on selling primarily through independent advisers looks at the moment very risky. The recent interest in demutualisation is not unconnected with the poorer outlook for the life assurance companies. The demutualisation of FS Assurance and its transformation into Britannia Life appears to have been successful in improving the solvency of the business and reducing (percentage) costs because of the greater volume of business.

The downturn in UK domestic business seems set to continue for some considerable time. The scope for growth amongst Scottish financial businesses in the absence of new legislation opening up more opportunities, must come predominantly from better marketing and achieving lower costs than competitors, innovation, acquisition or finding new more profitable markets. A major advantage of Scotland, lower costs than competitors face in the South, has undoubtedly been greatly reduced by the depression in the South East. Office rents are still higher in London but the availability of space there has put downward pressure on office costs whilst the shake-out in London continues to release skilled and educated manpower and hold labour costs down. Scotland's cost advantages are probably lower now than they have been for several years and although in times of poor business cost control is of particular importance, the size of relocation and adjustment costs will almost certainly deter any major relocation in the near future. In addition, it is apparent that cost advantages are not always of particular importance in financial markets. The success of unit trusts in the 1980's which greatly expanded in size despite a general doubling or tripling of charges provides clear evidence of this.

Scotland's and indeed the UK's record in financial innovation has not been remarkable. Many of the major innovations in financial products and markets have been pioneered in the US or by US banks and security houses. The recent history of innovation in Scotland has not been encouraging and it is unlikely that much will be accomplished in this direction in the foreseeable future. It is a continual mystery why government agencies in Scotland, keen to help innovation in manufacturing industry, have not applied the same logic to financial services. Investment trusts in the past have introduced a variety of innovative investments but the potential has not been exploited. Back-to-back loans were the immediate forerunners of Swaps but despite the pioneering efforts of the investment trusts with back-to-back loans it was left to the US banks to pioneer and develop the huge Swap market that now exists.

Nor have acquisitions been a Scottish forte. Many might argue, with the benefit of hindsight, that this has been to the benefit of the Scottish companies. The losses of the Prudential in its forays into estate agency are a salutary reminder of the costs of poor acquisitions. The tendency has been, if anything, in the opposite direction with Scottish financial companies being acquired by non-Scottish competitors although the picture is greatly complicated by the unwinding of the shareholdings in the Scottish banks.

In the absence of expansion due to lower costs, innovation or acquisitions we are left with the possibility of finding new markets as the only major source of future growth. To this end a number of studies have examined the possibilities for Scottish financial expansions that might arise from European capital market liberalisation. The potential market is vast but we must question whether this is likely to be a substantial source of new business. On current form the answer must be no. Selling financial services is not, in general, like selling consumer products. Selling financial services requires the building up of trust. Purchasers must be convinced that their money is safe and that the promises made to them are going to be fulfilled. Of course, some financial services are like commodities. The success of London in selling foreign shares (£148bn last year against £157bn of UK shares) has been a direct result of lower costs and better liquidity than its competitors, but even here when the competitiveness of home markets has improved there has not been a major diversion of business from London. As the Bank of England recently noted "once trading has moved, strong positive reasons are needed for it to move back".

Breaking into European financial markets will inevitably be slow and expensive as firms adapt to different cultures and institutions. Unfortunately selling in the UK is probably easier for Continental Europeans than vice versa, a reflection of the more open UK economy and long established tradition of foreign trade in goods and services. Over time the process will become easier as the European economies and cultures move closer together but short term success is probably impossible. The problem is particularly acute for the smaller Scottish institutions and activities such as fund management. They do not have the resources for a prolonged attack on European markets. If they are to be successful they almost certainly need help, either by the acquisition of outside resources and capital, as Murray Johnstone attempted to do recently, or by Government assistance. Rather than attempting to bring new players into the Scottish sector, the appropriate government agencies might contemplate directly supporting Scottish endeavours overseas particularly at the level of the individual institution. Profit sharing arrangements, much like venture capital financing, could be one model for promoting overseas offices, representation and sales. Joint arrangements which cover all or many Scottish institutions are unlikely to be successful since the Scottish firms are direct competitors for business. Instead, help should be directed at individual firms with direct assistance in the provision of risk capital. Scope clearly exists at the sector level for overseas promotion but it is unlikely to be enough to successfully establish the smaller Scottish organisations securely in the European market.

Larger institutions may well be able to take a longer term, acquisition strategy. The unscrambling of the estate agency takeovers, for example, suggests that institutions able to wait might be able to acquire sales and distribution outlets at lower cost than appears possible, at present. However, there is always a danger in such circumstances that costs will continue to rise and opportunities will be missed forever. Small acquisitions to give information, experience and a toe-hold for subsequent expansion are probably an effective strategy for most of the larger institutions interested in developing in European markets although the picture is clouded by the substantial presence of mutuals in Scotland. Mutuality removes short term takeover pressures but at the same time reduces the opportunities and perhaps motivation for aggressive expansion. Offices must weigh up the benefits of growth to current policyholders and it is argued that this may inhibit some forms of expansion. However, the argument must be regarded with some scepticism since most existing policyholders would be better off without any further advertising and expansion but this does not seem to prevent the life offices from looking for new business. A second argument that has been suggested as restraining expansion is the requirement for large bonus declarations. Most offices, particulary those without major direct sales outlets, compete to be ranked highly in the industry's bonus table league. Again, however, this argument should be treated with caution since the games life offices play to improve their bonus standing, such as paying very low surrender values on policies surrendered before their term is due, suggest that simple comparisons are fraught with difficulty.

In some ways Europe offers particularly interesting opportunities to the Scottish mutual institutions. Many European banks and financial institutions are organised on a mutual basis. The possibility of constructing European-wide mutuals by inter country merger, or by setting up joint activities and enterprises with a view to long term merger, must exist. Past history suggests that some companies can make the transition from being regional financial institutions to being national institutions despite differences in culture and markets. History also reveals that the process has been slow and not always successful. However, improved communications and knowledge indicate that the process will be much faster as national companies move across national boundaries to become European companies. The process will almost certainly be complete in a few decades.

Where does all this leave efforts to promote the financial sector in Scotland? It suggests that previous attempts to promote Scotland based on low costs and a skilled and educated workforce are unlikely to be successful in the future. The aim of promoting Scotland's financial sector remains desirable and valid but the vision of attracting a number of financial processing factories to Scotland is unlikely to be particularly successful in the future. The strategy must be to promote organic growth which in turn will generate employment and income. A major source of growth opportunities is Europe but to exploit these opportunities requires continued high risk investment. This is probably beyond the scope of many smaller financial companies on their own. Help and assistance could usefully come from the Scottish government agencies and departments. In simple, straight forward cash flow terms the possibilities might not look too good. Net Present Values could well appear negative because such calculations ignore the option characteristics of investment in a European distribution system. Successful establishment in Europe would provide an enormous growth in business.

Other potential areas of interest worth pursuing to give Scotland a competitive edge lie in the process of innovation and cross-boundary mergers of mutuals. How much effort has gone into understanding how financial innovation comes about and what is needed to make it a success? How much is known about the constitution, structures and problems of European mutuals? The possibilities for major expansion of the Scottish financial sector almost certainly exist. What we need to do is to change our way of thinking so as to be able to take advantage of them.

DISTRIBUTIVE TRADES

According to the March Scottish Chambers' Business Survey (SCBS), which covers the first three months of 1991, wholesaler optimism was essentially static compared to Q4 1990. However, a net 20.4% of respondents were less optimistic about general business conditions than they had been a year earlier. In view of this latter result, it is perhaps surprising to note that a balance of 9% of wholesalers reported higher sales in Q1 1991 than Q1 1990. Approximately the same net majority expected Q2 1991 sales to be higher than Q2 1990. At least in terms of Scottish wholesaling, these results are difficult to reconcile with the perception that the recession has been deepening in the early months of this year.

A significant number of wholesalers (42.5% of total) felt that problems with credit facilities were the most likely causes of curtailment in short-term sales growth.

As in the previous quarter, there was a very small increase in total wholesale employment. Gains were recorded in male and full-time employment, while female and part-time employment fell slightly. Just under half (41%) of wholesalers had increased wages and salaries during the first quarter, by an average 10.9%.

In terms of the balance of business optimism, the geographical pattern of wholesaler responses in Q1 1991 and Q4 1990 was as follows:

CHAMBER AREA	NET % MORE OPTIMISTIC	
	Q1 1991	Q4 1990
Fife*	+66.7	0.0
Central*	+100.0	0.0
Edinburgh	-9.1	-17.6
Aberdeen	+2.7	+11.6
Glasgow	-6.0	-23.6
Dundee	-26.6	+6.7

* less than 10 responses in Q1 1991

The March SCBS reports that a net 4.5% of Scottish retailers were less optimistic than they had been three months earlier. A substantial net 25.1% were less optimistic than a year previously. In contrast to wholesalers, changes in retailer optimism seemed more consistent with sales performance, since a small net majority (3.0%) recorded lower sales in Q1 1991 than in Q1 1990. It was expected that sales in the second quarter of this year would, in overall terms, be at approximately the same level as in the same period in 1990.

A net 18.6% of retailers reported first quarter job losses, possibly reflecting post-Christmas labour shedding. Reductions were made in male and female, full-time and part-time employment. Further job cuts in all categories were predicted for the second quarter of this year.

In the context of overall employment decline, retailers were moderately active in the labour market, with 38.4% of respondents attempting to recruit new staff during the first quarter. Most difficulties were experienced in recruiting 16-24 year olds and skilled manual worker.

Net retailer changes in business optimism by Chamber area in Q1 1991 and Q4 1990 are shown immediately below.

CHAMBER AREA	NET % MORE OPTIMISTIC	
	Q1 1991	Q4 1990
Fife	-17.7	-22.0
Central	-18.2	-10.0
Edinburgh	0.0	-50.0
Aberdeen	+9.8	-16.0
Glasgow	-13.4	-20.0
Dundee	-8.3	-29.0

TRANSPORT

On the buses, the government has finally taken the decision to sell Fife Scottish Omnibuses to the Perth-based company Stagecoach, who also recently purchases Northern Scottish Omnibuses. The decision to sell to Stagecoach was initially due to be announced in May, but was cancelled because of a last minute revised bid by Fife's employees, which eventually proved futile. Stagecoach will not be allowed to bid for either of the two remaining companies (Western and Highland) because of the disposal programmes regulations against monopolisation. Of the eight companies which have been sold, four have been sold to joint management-employee teams, while one (Midland) was sold to the employee-management team which successfully purchased Grampian. Overall, therefore, the government does appear to have made some progress towards its objectives of creating a set of locally-owned and locally responsive transport companies.

The most significant development which has occurred in transport in recent months, however, is the Transport Minister's announcement of the government's desire to see a much greater proportion of freight travel by rail. Most of the excitement surrounding Mr Rifkind's speech has concerned the apparent shift from the staunchly pro-road stance of the previous government, but a number of actual proposals were also included, viz.:

- the ending of British Rail's monopoly of the use of track. At present, BR can veto the use of private freight or passenger traffic and insist on the use of its own drivers

- increased freight facilities grants to encourage a greater use of rail freight, maximum government contributions to private facilities such as sidings are to rise to £1 per lorry mile from the present 34p per lorry mile.

- representing something of a political fudge, the government is to sponsor a long term study into traffic congestion in towns and cities which will examine the possibilities of road pricing in congested urban areas. One can assume that this will delay any decision on road pricing for a number of years.

Despite the substantial shift of emphasis, there are some serious doubts concerning whether the new proposals will have anything like the desired effect. The most significant omission is the absence of any proposals to deal with passenger traffic on roads. Over the 1980s, car-ownership in Britain is estimated to have increased by about one third and Department of Transport projections of total road traffic in terms of vehicle miles estimate that this is likely to double in the next twenty five years.

Against this background, it is unlikely that the cessation of BR's monopoly will in itself be sufficient to make serious in-roads into road congestion, especially as the Department of Transport has made clear that any new company wishing to run a passenger service will have to work round a timetable set by British Rail. There appears to be little in the announcement that would make car-owners switch to rail, other than a vague hope that efficient private sector companies will emerge once BR's monopoly is ended.

Even the freight proposals (and it should be remembered in connection with the above that only about 10% of all current lorry miles are freight related) are unlikely to be enough to make very serious in-roads into freight-related road traffic. Only 8% of all freight is currently moved by rail compared to 62% by road. In summary, therefore, the Minister's announcement may signal the beginning of a serious attempt to ease traffic congestions by encouraging greater use of the railways, but as yet it represents only a beginning.

HEALTH

As appears to be the norm these days more heat than light is being generated in health matters, so much so that the Glasgow Herald of 28 May is to be observed, amidst a routine call for more funding and for better quality provision of services, making a rather desperate/sad appeal for "some imagination" and a "bi-partisan approach". The particular trigger for this editorial is a squabble over AIDS funding, with Michael Forsyth pointing to the targeting of these funds to the areas of higher incidence and political opponents claiming that this reduces funds that might be provided elsewhere.

On the wider British stage 1 April ushered in the new era of internal markets, hospital trusts, and GP budget-holding. Within days potential redundancies were announced at some trust hospitals, and various arrangements between contract holders led to accusations of queue jumping and fears of two- or multi-tiered health provision in what perhaps has hitherto been misleadingly viewed as a homogeneous NHS. In the Scottish context all this amounts to a "phoney war" in the present year since trust status and budget-holding will only begin in earnest in 1992. In South Ayrshire British Medical Association claims that the vast majority of GPs will boycott the proposed trust hospital have been played down by the management of the hospital. Meanwhile the Labour party alleges that 5 holders of the new health board chairs are members of the Conservative party. Whatever elements of the new system would be preserved by Labour in the event of its election seem highly unlikely to include the current composition of the health boards!

Meanwhile the uproar over the changes has all but drowned out the much fainter noises emanating from the government on the need for an agreed national health strategy involving targeted cuts in such conditions as cancer, stroke and heart disease. It is easy in these circumstances to agree with David Hunter, writing in the Health Services Journal of 16 May when he suggests that "until a clear distinction is drawn between health services and a strategy for health, the former will always overshadow and drive out the latter, ably aided and abetted by politicians and the media".

An indication of how difficult it is to effect change under the current NHS is that almost any proposal will adversely affect someone and so planned changes in service provision invariably provoke opposition. A recent manifestation is the privatisation of care for dependent elderly people in Greater Glasgow. Commercial companies and voluntary organisations can now tender to build and run homes in partnership with the health board. This would lead to the closure of a number of units - Duntocher, Stoneyettes, Birdston and Duke Street hospitals have been mooted, along with the geriatric units of Ruchill and Gartloch hospitals. This and other examples make it clear that headlines about reorganisations, cuts and redundancies will not be confined to the trust units of the "new" NHS.

One interesting recent development is the hospital hotel. Pioneered in Scandinavia, the idea is that patients not requiring substantial medical and nursing inputs be placed in a hotel physically adjacent to the hospital. This is claimed to be cheaper - providing hotel facilities alone being inherently less resource costly than the panoply of inputs required for acute care, in particular. At the university hospital in Lund, Sweden hotel users include cancer patients attending hospital for treatment or tests, new mothers, and some day surgery patients. Relatives can stay for a small extra charge and visits to occupants are unrestricted. The first on the bandwagon in Scotland is Greater Glasgow, which intends to build a 64-bed three-star hotel at the Western Infirmary.

This columnist would like to suggest that developments like these be subjected to evaluation for their effects on health and the quality of life, along with other mooted health and health-related projects. It would be nice to think that the Glasgow Herald's wish could come true so that we can move on from what has become an increasingly sterile political debate about the nature of health service provision in the UK.

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. Significant under-reporting of employment growth had apparently occurred prior to the 1988 Labour Force Survey (LFS). However, the results of the 1987 Census of Employment suggested that LFS estimates over-estimated the extent of under-recording of employment. Estimates based on the 1989 LFS, have been adjusted upwards as compared to the 1987 census-based estimates. However, the most recent estimates of employment, incorporating the 1989 Census of Employment results and the preliminary results of the 1990 LFS, imply some downward revision of earlier estimates.

The Census of Employment provides benchmark data on which to realign estimates of employees in employment derived from the monthly and quarterly sample surveys of employers. Estimates between September 1987, the date of the previous census, and September 1989 have been adjusted to the latest census. Subsequent employment estimates reflect both the new benchmark data and information available from the 1990 LFS. The LFS is employed to adjust figures derived from the regular sample surveys, which have tended to underestimate the number of employees, (see, for example, the April 1991 issue of Employment Gazette).

September 1990 is the most recent date for which employment data are available using both the old and the revised benchmarks. Total employment at this date is estimated to be 1,984 thousand rather than 2,018, a reduction of 34,000 (1.76%). In fact estimates of male employees in employment have increased slightly by 3 thousand (0.3%) in September 1990 from 1038 to 1041 thousand. Estimates of total female employees have been revised downwards by 37 thousand (3.8%) to 943 thousand. However, estimates of part-time female employment actually increased by 10 thousand to 406 thousand in September 1990, an increase of 2.5%. Accordingly, it is estimates of full-time female employment which have been subject to significant downward revisions, from 584 to 537 thousand in September 1987, for example, a decline of 47 thousand or 8.0%. One implication is that the decline in estimated "full time equivalent" employment is rather greater than that in numbers employed, and is just over 40 thousand (with "part-time" assumed to be "third-time").

Nor is it simply the sex and part-time/full-time composition of employees in employment which is affected by the revisions: the aggregate changes disguise more marked changes at the sectoral level. Although the estimates of production and construction industries and service industries employees in employment change by a similar absolute amount (-18 thousand, or -3.0%, and -16 thousand, or -1.2%, respectively), the changes at individual sectoral level are quite diverse. Thus within services estimates of employees in employment in public admin. etc. and education etc. have declined by 25 (-12.3%) and 16 (-3.3%) thousands respectively, that for wholesale distribution etc. have increased by 18 thousand (+8.8%). Similarly, within production and construction industries other manufacturing employees in employment has been revised down by 21 thousands (-9.9%), whereas the estimates of employment in construction has been increased by 12 thousand (+10%). Unfortunately, it appears that recent estimates of employment growth have been exaggerated. Furthermore, the scale of the revisions reinforces the notion that considerable caution should be exercised in interpretations of apparent short-run changes in employment in Scotland between censuses.

The most recent employment date (available only on the basis of census and LFS induced revisions) are for December 1990, and those are also reported in Tables 1 and 2. Overall, total employees in employment rose by 8,000 (0.4%) in the year to December 1990 (albeit from a lower estimated base - see above). Male employees in employment rose by 1,000 (0.1%), and total female employment increased by 6,000 (0.6%). Part-time female employment rose by 15,000 (3.7%), whereas full-time female employment actually fell by 9,000 or 1.6%. If part-time is interpreted as "one-third time", then full time equivalent employment fell by about 3,000. The number of employees in employment fell by 3,000 over the year to December 1990, but numbers employed in services increased by some 12,000, a pattern consistent with the much greater increase in female employment.

Over the year to December 1990 the biggest employment gains were registered by: public admin. etc. (8,000); wholesale distribution etc. (8,000), and transport and communication (3,000). Construction and education etc. registered the biggest employment losses (4,000).

Vacancies: Stocks and Flows

Over the year to April 1991 unfilled vacancies at job centres in Scotland fluctuated between 16.4 (15.2) and 23.8 (24.5) thousands on a seasonally adjusted (unadjusted) basis (Table 3). Vacancies fell by 3.5 thousands (18.4%) from 23.0 to 19.5 thousands over the year to January 1991. Note, though, that the reduction in vacancies was concentrated in the recent past. Against the background of other evidence it seems likely that this reflects a downturn in labour demand. That this recent downturn in vacancy number occurs against the background of an otherwise upward trend may herald bad news for employment in the comparatively near future. Indeed, we have already noted that "full time equivalent" employment probably fell in the year to December 1990. The net reduction in the stock of unfilled vacancies conceals much larger gross inflows and outflows (Table 4). These were of a similar order of magnitude to the outstanding stock of vacancies in each month. For example, in April 1991 inflows of 22.1 thousand were more than matched by outflows. During 1990 there were a total of over 266,000 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. Table 5 presents a short time series of unemployment in the old as well as the new basis to facilitate comparison.

Unemployment, on a seasonally adjusted basis, rose in each of the six months up to and including April 1991. The trend of declining unemployment appears therefore to have ben reversed in recent months, although it is worth noting that unemployment in October 1990 was at its lowest level in recent years, dropping below the 200 thousands mark. While the registered increases were not dramatic (0.7, 2.2, 0.7, 3.2, 4.6 and 5.2 thousand in November and December 1990 and January to April 1991 respectively), at least by comparison with the scale of falls in unemployment which preceded them, there is some evidence that the rate of increase is itself increasing in recent months.

Over the year to April 1991 total unemployment rose by about 10.5 thousand, from 203.8 thousand or 0.5 full percentages points. This represents an increase in the level of unemployment of 5.1 per cent. In fact the aggregate figures reflect a reduction in female unemployment of 1.3 thousand, and an increase of 12 thousand in male unemployment.

Table 6 presents recent flows into and out of the unemployment stock. In April 1991 inflows were at 33.8 thousand, about 4.1 thousand more than in the same month of 1990. Outflows were, at 31.8 thousand, 1,500 less than in January 1990. If gross outflows were maintained at their April 1991 level unemployment stocks would turnover in just under 7 months.

BUSINESS SURVEY EVIDENCE

The quarterly Scottish Chambers' Business Survey provides additional, largely qualitative, information as to the nature of, and short term changes in the Scottish labour market. The results from the survey are expressed in terms of a balance of respondents', this is established by subtracting those replying negatively (ie downward trends in employment) from those replying positively (ie reporting upward trends in employment). Respondents who report 'no change' are excluded.

The Chambers' survey generates labour market data on six major sectors: oil; manufacturing; construction; wholesale and retail distribution; finance and tourism and leisure - throughout Scotland. However, at present, area analyses are based on six areas: Aberdeen and the Highlands; Dundee and Tayside; Fife; Central Scotland; Glasgow and the West of Scotland; and Edinburgh and the Borders.

The following data, generated from the survey covering the first quarter of 1991, is based on some 1,200 responses.

Employment

Downward trends in employment continued in most sectors during the first quarter of 1991, although the limited expansion in employment continued in wholesale distribution. The downward trends are expected to continue through the second quarter of 1991 for most sectors, although the rate of decline in employment is expected to slow down in manufacturing and to improve considerably in construction and tourism and leisure. At this stage it is unclear as to whether these expectations are based upon seasonal factors, or reflect a more generally based improvement in demand.

These figures conceal shifts between full time, part time, temporary and agency/self employed. in Retail and Finance the level of part time staff was declining at a lower rate than for full time staffs; likewise the use of temporary staff was declining at a slower rate than that for full time staffs. In construction, manufacturing and tourism and leisure the use of self employed, sub contract and temporary staff was declining at a faster rate than the level of full time employees.

Recruitment

Recruitment activity continued to decline in oil, construction, retail and tourism and leisure. This would support the view of a general declining demand for labour as firms reduce recruitment activity to reduce employment levels. Nevertheless, an increase in recruitment activity was reported in manufacturing, finance and tourism and leisure; although this seems to be essentially replacement rather than expansion activity (see Table 8).

Table 8 provides a partial indication as to the sectoral demand for labour. We would expect that seasonal factors would lead to a higher percentage of firms in tourism and leisure entering the labour market during the second quarter of 1991. Furthermore, an increase in the activity levels in retail would be an indication of increased consumer demand.

Skilled manual and 16 - 24 year old olds still appeared to be difficult to recruit for a significant number of firms in several sectors. In Retail and Tourism and Leisure the two most difficult groups to recruit were 16 - 24 year olds and skilled manual staffs. In wholesale the two most difficult groups to recruit were: 16 - 24 year olds and professional and managerial. In Construction and manufacturing the two main difficulties were in the recruitment of suitable skilled manual and technical staff. The two main difficulties in Finance were in the recruitment of clerical and 16 - 24 year olds.

The degree of ease or difficulty reported in recruiting staffs at the sectoral level is illustrated in Table 9. The trends provide a further indication as to the demand for labour at a sectoral level. Again this table should be treated with caution, it does not indicate the volume of the difficulty, nor which types of labour are difficult to recruit. Nevertheless, the gradual decline in the percentages of respondents reporting increased recruitment difficulties indicates a general lowering of demand for labour and an easing of the labour market. The continuing buoyancy of demand in wholesale is reflected in the higher percentages reporting difficulties in recruiting.

The increased percentages in tourism and leisure are harder to explain given the evidence in Tables 7 and 8. The difficulties in recruitment appear to be the fairly widespread difficulties in attracting skilled manual and 16-24 year olds in the tourism and leisure sector.

Wage and Salary Movements

Wage and salary increases in the first quarter were slightly lower than those reported in the fourth quarter for 1990 in manufacturing, construction, and retail; but were higher in the other sectors. In general the rate of increase in wages and salaries was slightly above the prevailing rate of inflation. Once again the impact of the oil industry led to higher increases being reported in oil related manufacturing and in construction in the Aberdeen area.

TABLE 1 EMPLOYEES IN EMPLOYMENT IN SCOTLAND: INDUSTRY AGGREGATES ('000s) (Figures in parentheses reflect revisions due to 1988 LFS and those in square brackets reflect 1987 census up to Spring 1988 and the 1989 LFS thereafter. The latest estimates reflect the impact of both the 1989 census and the 1990 LFS.)								
		Female			Prod. & Const.	Prod-uction	Manu-facturing	Services
SIC 1980	Male	All	P/T	Total	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]
1989 Jun	[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	929	395	1,956	591	457	397	1,337
Jun	1,031	942	405	1,973	591	458	398	1,353
Sep	1,041	943	406	1,984	597	465	405	1,357
Dec	1,034	945	416	1,980	592	462	401	1,361

Source: Department of Employment Gazette

TABLE 2 EMPLOYMENT: SCOTLAND EMPLOYEES IN EMPLOYMENT (000S)*						
SIC 1980	Agric./ forestry/ fishing 0	Energy & water supply 1	Metal Manu. & chemicals 2	Metal Goods, Eng. & vehicles 3	Other Manu. 4	Construction 5
1979	48	72	82	258	265	155
1989 Mar	28 [28]	57 [58]	47 [48]	167 [168]	[203]	124 [125]
Jun	29 [29]	57 [58]	46 [47]	165 [166]	[202]	130 [125]
Sep	30 [30]	57 [59]	45 [48]	166 [168]	191 [207]	134 [124]
Dec	28 [28]	59 [60]	46 [49]	167 [169]	190 [206]	134 [122]
1990 Mar	28 [28]	59 [61]	46 [49]	166 [168]	185 [203]	134 [121]
Jun	30 [30]	60 [61]	44 [47]	166 [170]	188 [207]	133 [120]
Sep	30 [30]	60 [63]	44 [47]	169 [172]	191 [212]	132 [120]
Dec	27	61	44	169	189	130

TABLE 2 EMPLOYMENT: SCOTLAND EMPLOYEES IN EMPLOYMENT ('000s) (cont.)						
SIC 1980	W'sale dist. hotels & catering 61-63 66-67	Retail dist. 64/65	Transport & communication 7	Banking, insurance & finance 8	Public admin. & defence 91-92	Education, health & other services 93-99
1979	197	194	135	123	170	403
1989 Mar	(201)193[189]	(188)190[186]	(104)114[115]	(183)170[172]	(168)176[184]	(469)481[465]
Jun	207 [197]	193 [188]	113 [116]	176 [174]	176 [187]	474 [469]
Sep	213 [198]	193 [189]	111 [116]	182 [176]	173 [187]	472 [477]
Dec	206 [191]	197 [193]	111 [116]	184 [177]	172 [189]	480 [487]
1990 Mar	204 [187]	191 [187]	109 [117]	186 [179]	170 [190]	477 [487]
Jun	215 [198]	193 [189]	109 [115]	186 [180]	172 [195]	477 [488]
Sep	222 [204]	192 [188]	111 [115]	189 [182]	179 [204]	465 [481]
Dec	214	198	108	184	180	476

* 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 VACANCIES AT JOBCENTRES ('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
Feb	19.9	-0.1	-0.0	17.2	0.5
Mar	19.8	0.1	-0.2	18.5	0.5
Apr	20.3	0.5	0.1	20.2	0.6
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	21.9	-0.5	-0.1	24.0	0.9
Nov	18.4	-3.5	-1.3	19.4	0.9
Dec	16.4	-2.0	-2.0	15.2	0.6
1991 Jan	18.6	2.2	-1.1	15.6	0.7
Feb	22.8	4.2	1.5	19.8	0.6
Mar	23.7	0.9	2.4	21.8	0.6
Apr	19.5	-4.2	0.3	19.4	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 Jan	20.4	-0.2	20.7	0.0	17.5	0.0
Feb	21.9	0.3	22.3	0.2	19.1	0.2
Mar	21.1	-0.1	21.3	0.1	18.0	0.1
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	22.5	-0.3	23.2	-0.1	18.9	-0.3
Nov	22.1	-0.4	26.3	1.2	21.0	0.7
Dec	20.8	-0.7	21.8	-0.4	17.5	-0.4
1991 Jan	21.0	-0.5	19.6	-1.2	15.8	-1.0
Feb	22.9	0.3	19.3	-2.3	15.8	-1.7
Mar	21.4	0.2	20.4	-0.5	17.1	-0.1
Apr	22.1	0.4	25.9	2.1	22.3	2.2

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 Jan	184.0	72.6	256.6	-3.6	-3.2	10.3
Feb	181.7	71.7	253.4	-3.2	-3.3	10.1
Mar	180.2	70.3	250.5	-2.9	-3.6	10.0
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	160.5	54.0	214.3	5.2	2.8	8.6

Source: Department of Employment

TABLE 6: UNEMPLOYMENT FLOWS - STANDARDISED, UNADJUSTED: SCOTLAND ('000s)		
Month ending	In-flow	Out-flow
1989 Jan	32.2	26.9
Feb	33.1	40.7
Mar	31.7	39.0
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

Source: Department of Employment

TABLE 7 TRENDS IN TOTAL EMPLOYMENT (NET BALANCES OF RESPONSES)			
Sector	4th Quarter 1990 %	1st Quarter 1991 %	Expected 2nd Quarter 1992 %
Oil	0	0	-16
Manufacturing	-5	-20	-11
Construction	-27	-33	0
Wholesale	+2	+3	+8
Retail	-4	-19	-9
Tourism/leisure	+1	-12	+7
Finance	-23	-22	-27

TABLE 8 PERCENTAGE OF RESPONDENTS REPORTING RECRUITING EMPLOYMEES			
Sector	3rd Quarter 1990	4th Quarter 1990	1st Quarter 1991
Oil	100	60	50
Manufacturing	65	50	43
Construction	61	46	52
Wholesale	67	47	49
Retail	55	46	38
Finance	39	23	31
Tourism/Leisure	79	60	53

TABLE 9 PERCENTAGES OF RESPONDENTS REPORTING INCREASED RECRUITMENT DIFFICULTIES		
Sector	4th Quarter 1990	1st Quarter 1991
Oil	+25	0
Manufacturing	+11	-1
Construction	+10	-27
Wholesale	+6	+10
Retail	+15	-2
Finance	+2	-9
Tourism/leisure	-17	+3

N.B These figures are derived by subtracting those reporting reduced recruitment difficulties from those reporting increased recruitment difficulties.

TABLE 10 AVERAGE WAGE/SALARY INCREASES		
Sector	4th Quarter 1990 %	1st Quarter 1991 %
Oil	8.0	9.2
Manufacturing	9.4	9.0
Construction	9.5	9.0
Wholesale	8.4	10.9
Retail	11.1	8.4
Finance	5.0	10.0
Tourism/Leisure	8.3	9.3

REGIONAL REVIEW

Introduction

In the preceding Labour Market section, changes in Scottish employment patterns were analysed. However, whilst labour market movements differ between Scotland and the rest of the UK, they also vary within Scotland. The purpose of the Regional Review is to examine sub-Scottish movements in employment situation. Inter-authority variations which have occurred over the last year will be considered as well as intra-regional disparities.

The data used in the previous section was adjusted to take account of seasonal factors affecting employment situation. Data availability, however, necessitates that unadjusted figures be used for disaggregated analysis and thus cautious interpretation is required when comparisons are drawn between the current unemployment position and that which prevailed last month and last quarter.

In this issues of the Commentary, we continue to use two types of unemployment rate. The first is a narrow measure based on an incomplete definition of the workforce which incorporates only employees in employment and the unemployed, excluding the self-employed, HM Forces and those on work-related government training programmes. The more recent wide/workforce based calculations incorporate all of the above components and is thus a more accurate reflection of the unemployment situation. Generally, both rates have been analysed but in assessing intra-regional variations only the wider rates have been utilised.

Time-Series Analysis

It has already been mentioned that the data used in this section has not been adjusted to reflect seasonal influences. When comparing the unemployment situation in April 1991 with that which prevailed in April last year, this is not problematic. However, it is also desirable to examine movements which have occurred within periods of less than a year and this can give rise to difficulties of data compatibility. By analysing a time-series of unadjusted unemployment totals, a picture, albeit sketchy, of the seasonal troughs and peaks in the Scottish labour market can be gleaned, thereby partially circumventing this problem. It should then be possible for periods of less than twelve months, to separate out seasonal swings in unemployment from underlying trends.

Table 1 presents information on Scottish unemployment over the twelve months to April 1991. The data is provisional and subject to revision on the part of the Department of Employment. Indeed, the unemployment rates from April 1990 to January 1991 as indicated in Table 1 are all 0.1% higher than reported at the time of the last Commentary. Rather than being caused by a revision in unemployment totals for these months, the adjustments reflect a recalculation in workforce levels used to generate unemployment rates.

During the year to April 1991, the wide unemployment rate has risen from 8.3% to 8.7% but the pace and direction of change has been far from steady. Between April and June of last year unemployment was on the decrease. Indeed, if one goes even further back, unemployment had been declining since January 1990 with the most notable fall occurring between April and May with respective unemployment rates of 8.3% and 7.9%. Between June and July, the trend was reversed with the unemployment rate for Scotland witnessing a 0.3% increase. There was minimal change between July and August and decreases from August through to October. From October to the present however, increases have been the norm with the most substantial of these being experienced between December and January when the rate increased from 8.2% to 8.6%. Between December and January of the previous year, the unemployment rate only increased by 0.2% (from 8.5% to 8.7%) and thereafter decreased until June. This year however no decreases have been experienced.

In previous Commentaries it has been suggested that seasonal influences would appear to result in unemployment decreases between April and May and August and October but increases between December and January and June and July. Whilst the latest set of figures does not contradict this observation, the scale of recent increases surpasses that of previous years and rises in unemployment have been noted for months normally recording declines. This implies a general worsening of unemployment situation not associated with seasonality. An examination of seasonally adjusted data confirms this to be the case. The adjusted unemployment rate has been increasing since January rising from 8.1% at the start of the year to 8.6% in April. Undoubtably, the underlying trend for unemployment in Scotland is one of increase.

The proportional change in unemployment totals between each month is also indicated in Table 1. Unsurprisingly, these broadly mirror the movements noted for unemployment rates. The greatest reduction in monthly totals occurred between April and May of last year (-4.4%) and August and September (-2.9%). At the opposite extreme, a 4.8% rise occurred between December and January. A 4.0% increase was evident between June and July and between November and December unemployment totals rose by 3.7%. There have been increases in unemployment since October emphasising the underlying trend of rising unemployment currently afflicting Scotland.

This view is confirmed by comparing changes in male and female unemployment totals. The female labour force participates in seasonal employment to a greater degree than their male counterparts and thus are subject to greater variation in monthly unemployment totals. However, since October 1990, male unemployment has been rising alongside that for females reinforcing the observation that the increases are not due to seasonality.

Total Unemployment

Table 2 shows for each local authority region and island, and for Scotland as a whole, the narrow and wide unemployment rates, the numbers unemployed in April 1990 and 1991 and the change which has occurred over the twelve months. Quarterly and monthly changes are also indicated but the utilisation of unadjusted data means that careful interpretation of these short-term shifts is required. While they may be indicative of developing trends, they are more useful for the purposes of drawing inter-authority comparisons.

In the year to April 1991, Scottish unemployment rose by 11,087 (5.4%) to stand at 216,991. This represents 8.7% of the labour force or 10.0% of the narrowly-defined workforce. In April 1990, the corresponding figures were 8.2% and 9.4% indicating that during the last twelve months, unemployment has worsened. During the month and quarter preceding April, increases in unemployment were evident. Between January and April, there was a 2.0% increase in the numbers out of work, a rise of 4,330. The corresponding increase between March and April was 1,843 or 0.9%.

With the exception of Orkney and Shetland, all local authority areas experienced annual increase in unemployment totals. The most substantial of these occurred in the Borders where there was a 17.9% rise in the numbers out of work but notably high increases were also evident in Lothian (13.6%) and Dumfries and Galloway (10.8%). Negligible increases in unemployment occurred in the Highlands (1.0%) and Grampian (0.1%). In Orkney, 18 fewer people were unable to secure employment this April compared with last and in Shetland the corresponding figure was 44. Proportionally, this represented 3.9% and 9.5% respectively. Changes in sub-Scottish unemployment totals reveals considerable disparities in the fortunes of local labour markets and analysis of unemployment rates provides further evidence of this.

Variation is greatest amongst the island authorities with the unemployment rate in the Western Isles (10.2%) some 3.09 times higher than that of Shetland (3.3%) and 2.27 times the rate in Orkney (4.5%). This is a reflection of the unique economic circumstances affecting the island areas with oil-related activities exerting considerable downward pressure on the unemployment totals in Orkney and Shetland but having negligible impact on the Western Isles. Grampian has also benefitted from North Sea oil employment and exhibits the lowest unemployment rate of mainland Scotland at 3.7%. In unemployment rate terms, the Borders is also comparatively healthy with only 5.1% of the workforce unable to secure employment. Unlike other low unemployment areas, there is not a concentration of employment in the high-earning oil-related sector but rather an above average proportion of employees in low-earnings agriculture and the fragile textiles industry. In April 1990, the unemployment rate in the Borders was only 4.3% and last quarter it stood at 4.8%. Thus, the latest rate of 5.1%, whilst favourable when compared with the rest of Scotland, conceals the fact that the Borders has seen its unemployment situation worsen during the last year.

On the mainland, as a percentage of the workforce, unemployment is greatest in Strathclyde at 10.8% but Central and Fife with rates of 9.6% and 9.3% are also faring poorly in comparison with the 8.7% Scottish average. The same broad pattern is apparent in analysis of the narrow rates with Shetland's 4.0% and the Western Isles' 13.3% marking the extremes. Last quarter, the extremes were marked by 3.4% and 14.4% suggesting a slight lessening in variation in unemployment situation currently compared with last January.

The differential between the wide and the narrow unemployment rates is greatest in the Western Isles where 3.1% separates them. In Orkney the difference is 1.9%, in Dumfries and Galloway, 1.7% and in Highland, 1.6%. The difference between the wide and narrow unemployment rate is the number who are self-employed, in HM Forces or on government-related training programmes. The authorities with the larger differentials are all rural and thus the bigger gaps are likely to reflect the concentration of agricultural and fishing activity characteristic to rural Scotland and the higher levels of self-employment associated with these industries. In the Western Isles however, it is also likely to reflect the generally higher levels of unemployment and hence increased participation in government-related training programmes, only included in the wider workforce count. This argument explains the differential of 1.5% in urban Strathclyde. The converse accounts for the small differences evident in the low unemployment areas of Grampian (0.5%) and the Shetland Islands (0.7%).

Mixed fortunes are evident on analysis of quarterly movements in unemployment totals. Four authorities saw the number out of work fall between January and April ranging from a 9.4% decline in Highland to a 0.9%

decrease in Grampian. The declines in Orkney and the Western Isles were not insubstantial at 7.7% and 7.5% respectively and are in marked contrast to the 18.4% increase recorded for the other island authority, Shetland. The Shetland performance was very poor compared with the rest of Scotland with the Borders 6.0% being the next highest increase. Relatively poor performances were evident in Lothian (4.6%) and Fife (4.4%).

Examination of changes in unemployment occurring between March and April reveals considerable disparity. Five authorities saw their unemployment totals increasing with a proportional rise of 1.6% recorded in Central, Fife and Strathclyde. Lothian and Tayside had respective increases of 1.0% and 0.7%. Of the authorities noting declines. Highland's 6.6% fall was the most substantial but Orkney was only a little way behind with a decrease of 5.8%.

Analysis of sub-Scottish data suggests that the long-term unemployment trend is one of increase but that the rate of increase varies considerably throughout the areas making up Scotland.

Male Unemployment

Information on the unemployment situation in the male labour market is presented in Table 3. As can be seen from the table, in the twelve months to April 1991, male unemployment in Scotland rose by 12,074, to stand at 163,051. This 8.0% increase caused the male unemployment rate to rise. The narrow measure stands at 13.9% compared with the 11.1% reported in the last Commentary three months ago. For the wider based measure, April's rate is 11.5% compared with January's 9.7%. These increases are more substantial than those reported for total unemployment reflecting the offsetting decline in the number of females out of work. The quarterly and monthly male unemployment changes are also both positive. Between January and April, male unemployment rose by 4,211, a proportional increases of 2.7%. The number of males out of work between March and April rose by 1,402 or 0.9%.

Considering annual changes, apart from Orkney and Shetland, all local authorities saw male unemployment increases. The greatest proportional rises occurred in the Borders where 24.6% more males were out of work this April compared with last. Increases above the 8.0% Scottish average were also evident in Lothian (+16.2%), Dumfries and Galloway (+14.6%), Central (+12.0%), Tayside (+11.7%) and Fife (+9.6%). Limited increases of +2.0% and +3.2% occurred in Grampian and Highland respectively. In Shetland, there were 6 fewer males out of work this April compared with twelve months previously. This however represented 1.9% of the April 1990 total. The corresponding figures for Orkney were 14 males and 4.4%.

Considering workforce-based unemployment rates, Strathclyde remains the local authority area with the highest proportion of its male workforce unable to secure employment. This quarter's rate of 14.5% is higher than the 14.1% reported in the last Commentary reflecting the increased unemployment which has affected Scotland. The unemployment rate of 12.4% recorded for both Central and the Western Isles, and Fife's 12.0% are all above the 11.5% Scottish norm. Contrastingly, notably low rates were evident in Shetland (3.9%), Grampian (4.3%) and the Orkney Islands (5.2%). A similar pattern exists for the narrow-based calculations of unemployment rate except that the Western Isles have replaced Strathclyde as the region with the highest rate with some 18.3% of its males out of work. Similarly Grampian has superseded Shetland as the lowest male unemployment authority with only 5.2% of its narrowly-defined male workforce out of employment.

The majority of local authority areas saw male unemployment increase during the quarter to April 1991, the most substantial of these being in Shetland where 27.1% more males are unemployed. The Borders and Lothian saw their male unemployment totals rise by 7.2% and 5.2% between January and April. Four authorities saw male unemployment decrease in the period under review. Proportionally, the Western Isles experienced the biggest decrease with a drop of 9.1% and in the Highlands there was a fall of 4.7%.

Disparity is less evident in the monthly changes in male unemployment. Although four authorities saw the number of males out of work increase between March and April, the other eight areas recording decreases, all the changes occurred within a range of +1.7% to -4.1%.

Female Unemployment

Table 4 contains information on the female unemployment position. Over the last twelve months, female unemployment in Scotland has fallen but only by 987 or 1.8% and now stands at 53,940. This represents 5.1% of the total female workforce or 5.4% of the narrowly defined labour force. These rates are noticeably lower than the overall Scottish unemployment rates of 8.7% and 10.0%. However, since there have been increases in the number of females out of work during the last quarter and also since a month ago, this suggests that the female labour market has not been isolated from the underlying trend of increasing unemployment facing the Scottish workforce.

In the year to April 1991, there were decreases in the number of females out of work in the majority of authorities. The largest decrease occurred in Shetland where there was a 25.0% decline in the number of females unemployed during the twelve months after April 1990. On the mainland, decreases were much more modest with Highland's -4.1% being the most substantial.

Of the areas experiencing annual increases in female unemployment, the scale of change ranged from +3.0% in the Borers to +14.0% in the Western Isles.

Analysis of changes which have occurred in the quarter following January 1991, reveals mixed fortunes. Substantial decreases of 19.6% and 16.9% occurred in Highland and Orkney and more modest declines of 2.9% and 1.3% were evident in the Western Isles and Dumfries and Galloway. There was no change in female unemployment in Shetland and the other seven authorities saw increases ranging from 0.4% in Strathclyde to 5.2% in Central.

Much greater variation in changes in unemployment between March and April was evident for females compared with males. Four authorities saw decreases in the number of females out of work: Highland (-14.1%); Orkney (-9.2%); the Western Isles (-2.9%) and the Borders (-0.4%). The largest increases in unemployment occurred in Central where 7.4% more females were out of work in April compared with the previous month. In Fife, the increase was 4.2% and in Tayside, 2.0%. The higher disparity in female unemployment reflects the more seasonal nature of the female labour force.

The difference between the wide and the narrow unemployment rate is much less for female unemployment than was the case for males reflecting the higher levels of self-employment and HM Forces amongst the latter group. Considering the wide rate, unemployment is lowest in Shetland where only 2.3% of the female labour force is seeking work. Grampian, the Borders, Orkney and Lothian are only a little way behind with respective rates of 2.8%, 3.3%, 3.5% and 3.8%. The Western Isles continues to have the highest rate with 6.8% of females out of work but this is an improvement on last quarter's 7.0%. Relatively high female unemployment rates were also evident in Central (6.0%) and Strathclyde (5.9%).

It is important to remember that the analysis is confined to recorded or notified unemployment. It is quite likely that there are many females who are not counted as unemployed but who would enter the labour market should a job be available.

Vacancy Levels

Table 5 indicates registered vacancies for local authority areas. The data relates to unfilled vacancies notified to Job Centres and Careers Offices. The former deals mainly with openings for the over 18s whilst Careers Offices handle opportunities for young persons under 18 years of age. Since the latter group are now excluded from registering as unemployed following the extension of a guarantee of a place on a training programme, we continue to calculate a separate vacancy count which excludes vacancies notified to Careers Offices since this allows the generation of a more meaningful unemployment/vacancy ratio.

Vacancies are usually notified to either Job Centres or Careers Offices but may occasionally be notified to both services or to more than one Job Centre and thus may be included in more than one vacancy count. Consequently, there is likely to be some incidence of measurement error. Nationally, only about one third of vacancies are notified to Job Centres and Careers Offices and these tend to be for lower paid and lower skilled jobs. Hence from published vacancy data, a complete picture of the current demand for labour cannot be formulated.

In April of this year, there were 20,130 notified vacancies of which 693 (3.4%) were openings for young persons under 18. This was a 17.8% decline on vacancy levels a year ago. However, during the quarter preceding April, the total number of vacancies increased by 23.5% and by 24.5% when vacancies notified to Careers Offices are excluded. Thus whist it is clear that unemployment is increasing, the underlying trend in vacancy levels is less conclusive.

Analysing annual changes in vacancy levels amongst Scottish local authorities reveals mixed fortunes. Three authorities saw their vacancy levels increase between April 1990 and April 1991: Shetland (+19.0%); Borders (+7.2%) and Tayside (+4.4%). Of the nine authorities witnessing annual decreases in their vacancy levels, in five, the magnitude was greater than the -17.8% Scottish norm: Grampian (-41.3%); Fife (-32.2%); Orkney (-27.6%); Dumfries and Galloway (-26.8%); and Lothian (-22.2%).

Comparing vacancy levels in April and January, all authorities saw an increase except for Dumfries and Galloway where there was a 30.3% decline. In some authorities, the scale of increase was substantial most notably in the Western Isles and Highland where respective increases of 93.3% and 89.1% were recorded. The smallest increase occurred in Fife where there was only a 3.2% rise in total vacancy levels in the quarter to April 1991.

By relating the level of vacancies to the level of unemployment, a broad indication of the number of registered unemployed people competing for each vacancy can be gleaned. However, since registered vacancies represent only a proportion of the number of unfilled vacancies, the real unemployment/vacancy ratio will be lower than indicated in Table 6. This effect will be partly offset by the fact that not only registered unemployed people are likely to be competing for the vacancies. Cautious interpretation of u/v ratios is consequently required.

In April 1991, the Scottish u/v ratio excluding vacancies notified to Careers Offices was 11.16 and including the latter component 10.78. The corresponding figures for January 1991 were 13.62 and 13.06 and thus although unemployment has increased, the increase in vacancy levels has more than compensated for this and fewer unemployed people are competing for each job. However, the situation this year is poor in comparison with the u/v ratios recorded twelve months ago in April 1990 when excluding vacancies for under 18's, the ratio was 8.95 ad including this type of opening, 8.41.

Within Scotland, the ratio is lowest in the Borders at 3.93 but comparatively low rates were also evident in Grampian (4.78), Shetland (5.24) and Highland (5.41). At the opposite extreme, notably high ratios were calculated for the Western Isles (12.25), Strathclyde (13.17) and Tayside (13.39).

Between January and April, except in Dumfries and Galloway and Fife, all authorities saw their unemployment/vacancy ratio decrease with the most dramatic decreases occurring in the Western Isles (25.62 to 12.25) and Highland (11.54 to 5.41). In Fife, the u/v ratio rose from 18.43 to 18.71 between January and April but in Dumfries and Galloway, the increase was more significant, rising from 7.26 to 10.79.

Intra-Regional Variations

It is clear from the foregoing analysis that there are significant variations in the fortunes of regional labour markets located throughout Scotland. However, within the local authority boundaries, disparities also occur. This section is intended to consider such intra-regional variations in unemployment. The data used to this end relates to travel-to-work areas (TTWAs). A TTWA is the smallest unit for which unemployment rates are calculated and it is an approximation to a self-contained labour market where most commuting to and from work occurs within the TTWA boundary. In mainland Scotland, there are 57 TTWAs. Each island area is classed as a TTWA and hence disparities which occur within Orkney, Shetland and the Western Isles cannot be drawn from TTWA statistics. They are thus excluded from the following tables.

Table 7 indicates the number of TTWAs contained in each region and the number of these with unemployment rates in excess of the Scottish and regional averages. If the majority of a region's TTWAs have unemployment rates above the Scottish average then this is an indication of a general high unemployment area such as Central, Fife or Strathclyde. The converse also holds with the Borders and Grampian serving well to illustrate such an instance. In the former area, none of region's five TTWAs have unemployment rates in excess of the Scottish norm.

Comparing the unemployment rates in TTWAs with the regional average is useful for identifying sub-regional areas with significantly above or below average unemployment. If the majority of a region's TTWAs have rates in excess of the regional average then this indicates the presence of a few areas, possibly even one, with below-average unemployment. Grampian is again useful for illustrating such a case with seven of its nine TTWAs having rates in excess of the 3.7% regional average. It is the large, low-rate TTWA of Aberdeen (2.9%) which is pulling down the Grampian figure.

Further indicators of the intra-regional distribution of unemployment can be gleaned from comparisons of the highest and lowest TTWA unemployment rate found in each region as indicated in Table 8. The range of rates occurring in each region and the ratio of highest to lowest unemployment rates has been calculated.

Dumfries and Galloway continues to be region exhibiting the biggest range in rates with the unemployment rate in Cumnock and Sanquhar some 11.1% higher than the rate in Stewartry. The differential is lowest in Central where the percentage of the workforce out of work in Alloa is only 1.7% higher than the proportion unemployed in Falkirk.

The ratio of high to low unemployment rates is greatest in Grampian with unemployment in Forres some 4.14 times greater than is the case in Aberdeen. A ratio in excess of 3 was also noted in Dumfries and Galloway (3.27). The ratio is lowest in Central at only 1.17.

The foregoing analysis shows that there is considerable disparity in unemployment situation not only between authorities but also within them.

TABLE 1: UNEMPLOYMENT TOTALS - UNADJUSTED TIME SERIES, SCOTLAND							
	Unemployment Rate (%)	Total	% Change on Previous Month	Male	% Change on Previous Month	Female	% Change on Previous Month
1990 April	8.3	205,905	-2.0	150,977	-1.8	54,927	-2.4
May	7.9	196,542	-4.4	145,234	-3.8	51,308	-6.6
June	7.8	193,767	-1.4	142,657	-1.8	51,110	-0.4
July	8.1	201,439	+4.0	145,101	+1.7	56,338	+10.2
August	8.1	200,926	-0.3	144,454	-0.4	56,472	-0.2
September	7.9	195,078	-2.9	143,881	-0.4	51,197	-9.3
October	7.8	192,956	-1.1	143,527	-0.2	49,429	-3.5
November	7.9	195,679	+1.4	145,942	+1.7	49,737	+0.6
December	8.2	202,950	+3.7	152,001	+4.2	50,949	+2.4
1991 January	8.6	212,661	+4.8	158,840	+4.5	53,821	+5.6
February	8.6	213,729	+0.5	159,691	+0.5	54,038	+0.4
March	8.7	215,148	+0.7	161,649	+1.2	53,499	-1.0
April	8.7	216,991	+0.9	163,051	+0.9	53,940	+0.8

Source: Department of Employment

TABLE 2: UNEMPLOYMENT BY REGION

	% rate April 1991		Total April 1991	Total April 1990	Total Annual Change	% Change in Annual Totals	Total Jan 1991	Total Quarterly Change	% Change in Quarterly Totals	Total Mar 1990	Total Monthly Change	% Change in Monthly Totals
	Narrow	Wide										
Borders	6.2	5.1	2,529	2,145	+384	+17.9	2,386	+143	+6.0	2,574	-45	-1.7
Central	11.0	9.6	11,485	10,700	+785	+7.3	11,175	+310	+2.8	11,303	+182	+1.6
Dumfries & Galloway	8.6	6.9	4,930	4,448	+482	+10.8	4,815	+115	+2.4	4,945	-15	-0.3
Fife	10.7	9.3	13,547	12,697	+850	+6.7	12,978	+569	+4.4	13,336	+211	+1.6
Grampian	4.2	3.7	10,098	10,091	+7	+0.1	10,192	-94	-0.9	10,226	-128	-1.3
Highland	9.3	7.7	7,714	7,637	+77	+1.0	8,518	-804	-9.4	8,262	-548	-6.6
Lothian	8.0	7.1	29,242	25,742	+3,500	+13.6	27,965	+1,277	+4.6	28,941	+301	+1.0
Strathclyde	12.3	10.8	119,494	115,680	+3,814	+3.3	117,089	+2,405	+2.1	117,644	+1,850	+1.6
Tayside	9.2	7.9	15,671	14,525	+1,146	+7.9	15,174	+497	+3.3	15,561	+110	+0.7
Orkney Islands	6.4	4.5	441	459	-18	-3.9	478	-37	-7.7	468	-27	-5.8
Shetland Islands	4.0	3.3	419	463	-44	-9.5	354	+65	+18.4	421	-2	-0.5
Western Isles	13.3	10.2	1,421	1,317	+104	+7.9	1,537	-116	-7.5	1,467	-46	-3.1
SCOTLAND	10.0	8.7	216,991	205,904	+11,087	+5.4	212,661	+4,330	+2.0	215,148	+1,843	+0.9

Source: Department of Employment

TABLE 3: MALE UNEMPLOYMENT BY REGION

	% rate April 1991		Total April 1991	Total April 1990	Total Annual Change	% Change in Annual Totals	Total Jan 1991	Total Quarterly Change	% Change in Quarterly Totals	Total March 1991	Total Monthly Change	% Change in Monthly Totals
	Narrow	Wide										
Borders	8.5	6.4	1,846	1,482	+364	+24.6	1,722	+124	+7.2	1,888	-42	-2.2
Central	15.0	12.4	8,348	7,456	+892	+12.0	8,193	+155	+1.9	8,381	-33	-0.4
Dumfries & Galloway	10.9	8.0	3,362	2,933	+429	+14.6	3,226	+136	+4.2	3,402	-40	-1.2
Fife	14.6	12.0	9,910	9,041	+869	+9.6	9,467	+443	+4.7	9,846	+64	+0.7
Grampian	5.2	4.3	6,982	6,846	+136	+2.0	7,135	-153	-2.1	7,128	-146	-2.0
Highland	12.4	9.5	5,548	5,378	+170	+3.2	5,824	-276	-4.7	5,739	-191	-3.3
Lothian	11.6	9.9	22,214	19,113	+3,101	+16.2	21,121	+1,093	+5.2	21,947	+267	+1.2
Strathclyde	17.2	14.5	91,869	86,983	+4,886	+5.6	89,585	+2,284	+2.5	90,319	+1,550	+1.7
Tayside	12.5	10.1	11,309	10,121	+1,188	+11.7	10,855	+454	+4.2	11,285	+24	+0.2
Orkney Islands	8.4	5.2	303	317	-14	-4.4	312	-9	-2.9	316	-13	-4.1
Shetland Islands	5.3	3.9	305	311	-6	-1.9	240	+65	+27.1	308	-3	-1.0
Western Isles	18.3	12.4	1,055	996	+59	+5.9	1,160	-105	-9.1	1,090	-35	-3.2
SCOTLAND	13.9	11.5	163,051	150,977	+12,074	+8.0	158,840	+4,211	+2.7	161,649	+1,402	+0.9

Source: Department of Employment

TABLE 4: FEMALE UNEMPLOYMENT BY REGION												
	% rate April 1991		Total April 1991	Total April 1990	Total Annual Change	% Change in Annual Totals	Total January 1991	Total Quarterly Change	% Change in Quarterly Totals	Total March 1991	Total Monthly Change	% Change in Monthly Totals
	Narrow	Wide										
Borders	3.6	3.3	683	663	+20	+3.0	664	+19	+2.9	686	-3	-0.4
Central	6.5	6.0	3,137	3,244	-107	-3.3	2,982	+155	+5.2	2,922	+215	+7.4
Dumfries & Galloway	6.0	5.4	1,568	1,515	+53	+3.5	1,589	-21	-1.3	1,543	+25	+1.6
Fife	6.2	5.7	3,637	3,656	-19	-0.6	3,511	+126	+3.6	3,490	+147	+4.2
Grampian	3.0	2.8	3,116	3,245	-129	-4.0	3,057	+59	+1.9	3,098	+18	+0.6
Highland	5.7	5.1	2,166	2,259	-93	-4.1	2,694	-528	-19.6	2,523	-357	-14.1
Lothian	4.0	3.8	7,028	6,629	+399	+6.0	6,844	+184	+2.7	6,994	+34	+0.5
Strathclyde	6.3	5.9	27,625	28,697	-1,072	-3.7	27,504	+121	+0.4	27,325	+300	+1.1
Tayside	5.5	5.1	4,362	4,404	-42	-1.0	4,319	+43	+1.0	4,276	+86	+2.0
Orkney Islands	4.1	3.5	138	142	-4	-2.8	166	-28	-16.9	152	-14	-9.2
Shetland Islands	2.5	2.3	114	152	-38	-25.0	114	-	-	113	+1	+0.9
Western Isles	7.5	6.8	366	321	+45	+14.0	377	-11	-2.9	377	-11	-2.9
SCOTLAND	5.4	5.1	53,940	54,927	-987	-1.8	53,821	+119	+0.2	53,499	+441	+0.8

Source: Department of Employment

TABLE 5: REGISTERED VACANCIES BY REGION										
	April 1991		January 1991		Quarterly Change (%)		April 1990		Annual Change (%)	
	Exc. C.O.s*	Total	Exc. C.O.s*	Total	Exc. C.O.s*	Total	Exc. C.O.s*	Total	Exc. C.O.s*	Total
Borders	644	655	469	485	+37.3	+35.1	588	611	+9.5	+7.2
Central	1,117	1,126	784	795	+42.3	+41.6	1,262	1,278	-11.5	-11.9
Dumfries & Galloway	457	474	663	680	-31.1	-30.3	592	601	-22.8	-26.8
Fife	724	744	704	721	+2.8	+3.2	1,075	1,098	-32.7	-32.2
Grampian	2,111	2,296	1,579	1,778	+33.7	+29.1	3,748	3,910	-43.7	-41.3
Highland	1,426	1,437	738	760	+93.2	+89.1	1,627	1,643	-12.4	-12.5
Lothian	2,455	2,713	1,983	2,205	+23.8	+23.0	3,015	3,487	-18.6	-22.2
Strathclyde	9,074	9,210	7,816	7,954	+16.1	+15.8	9,712	10,402	-6.6	-11.5
Tayside	1,170	1,194	703	725	+66.4	+64.7	1,104	1,144	+6.0	+4.4
Orkney Islands	63	71	56	62	+12.5	+14.5	79	98	-20.3	-27.6
Shetland Islands	80	94	62	76	+29.0	+23.7	62	79	+29.0	+19.0
Western Isles	116	116	60	60	+93.3	+93.3	130	130	-10.8	-10.8
SCOTLAND	19,437	20,130	15,617	16,301	+24.5	+23.5	22,994	24,481	-15.5	-17.8

* Excluding vacancies notified to Careers Offices

Source: Department of Employment

TABLE 6: UNEMPLOYMENT/VACANCY (U/V) RATIOS BY REGION						
	April 1991		January 1991		April 1990	
	Exc. C.O.s*	Total	Exc. C.O.s*	Total	Exc. C.O.s*	Total
Borders	3.93	3.86	5.09	4.92	3.65	3.51
Central	10.28	10.20	14.25	14.06	8.48	8.37
Dumfries & Galloway	10.79	9.61	7.26	7.08	7.51	7.40
Fife	18.71	18.21	18.43	18.00	11.81	11.56
Grampian	4.78	4.40	6.45	5.73	2.69	2.58
Highland	5.41	5.37	11.54	11.21	4.69	4.65
Lothian	11.91	10.78	14.10	12.68	8.54	7.38
Strathclyde	13.17	12.97	14.98	14.72	11.91	11.12
Tayside	13.39	13.12	21.58	20.93	13.16	12.70
Orkney Is.	7.00	6.21	8.54	7.71	5.81	4.68
Shetland Is.	5.24	4.46	5.71	4.66	7.47	5.86
Western Is.	12.25	12.25	25.62	25.62	10.13	10.13
SCOTLAND	11.16	10.78	13.62	13.06	8.95	8.41

* Excluding vacancies notified to Careers Offices

Source: Department of Employment

TABLE 7: TTWAs WITH UNEMPLOYMENT RATES ABOVE THE SCOTTISH AND REGIONAL AVERAGE, APRIL 1991					
	No. of TTWAs	No. above Scottish Average+		No. above Regional Average+	
Borders	5	0	(0)	3	(3)
Central	3	2	(2)	2	(2)
Dumfries & Galloway	7	4	(3)	4	(3)
Fife	3	2	(2)	1	(2)
Grampian	9	1	(1)	7	(8)
Highland	8	3	(5)	4	(5)
Lothian	3	1	(1)	1	(1)
Strathclyde	12	8	(9)	6	(5)
Tayside	7	2	(2)	2	(2)
SCOTLAND	57	23	(25)	30	(31)

+ Figures in brackets refer to the situation last quarter (January 1991).

Source: Department of Employment

TABLE 6: UNEMPLOYMENT/VACANCY (U/V) RATIOS BY REGION						
	April 1991		January 1991		April 1990	
	Exc. C.O.s*	Total	Exc. C.O.s*	Total	Exc. C.O.s*	Total
Borders	3.93	3.86	5.09	4.92	3.65	3.51
Central	10.28	10.20	14.25	14.06	8.48	8.37
Dumfries & Galloway	10.79	9.61	7.26	7.08	7.51	7.40
Fife	18.71	18.21	18.43	18.00	11.81	11.56
Grampian	4.78	4.40	6.45	5.73	2.69	2.58
Highland	5.41	5.37	11.54	11.21	4.69	4.65
Lothian	11.91	10.78	14.10	12.68	8.54	7.38
Strathclyde	13.17	12.97	14.98	14.72	11.91	11.12
Tayside	13.39	13.12	21.58	20.93	13.16	12.70
Orkney Is.	7.00	6.21	8.54	7.71	5.81	4.68
Shetland Is.	5.24	4.46	5.71	4.66	7.47	5.86
Western Is.	12.25	12.25	25.62	25.62	10.13	10.13
SCOTLAND	11.16	10.78	13.62	13.06	8.95	8.41

* Excluding vacancies notified to Careers Offices

Source: Department of Employment

TABLE 7: TTWAs WITH UNEMPLOYMENT RATES ABOVE THE SCOTTISH AND REGIONAL AVERAGE, APRIL 1991					
	No. of TTWAs	No. above Scottish Average+		No. above Regional Average+	
Borders	5	0	(0)	3	(3)
Central	3	2	(2)	2	(2)
Dumfries & Galloway	7	4	(3)	4	(3)
Fife	3	2	(2)	1	(2)
Grampian	9	1	(1)	7	(8)
Highland	8	3	(5)	4	(5)
Lothian	3	1	(1)	1	(1)
Strathclyde	12	8	(9)	6	(5)
Tayside	7	2	(2)	2	(2)
SCOTLAND	57	23	(25)	30	(31)

+ Figures in brackets refer to the situation last quarter (January 1991).

Source: Department of Employment

TABLE 8: TTWAs WITH HIGHEST AND LOWEST UNEMPLOYMENT RATES, ARRIL 1991							
		Unemployment Rates+		High - Low+		High/Low+	
Borders	H Peebles	7.5	(7.3)	3.4	(3.4)	1.83	(1.87)
	L Galashiels	4.1	(3.9)				
Central	H Alloa	11.9	(11.5)	1.7	(4.4)	1.17	(1.62)
	L Falkirk	10.2	(7.1)				
Dumfries & Galloway	H Cumnock & Sanquhar	16.0	(16.7)	11.1	(11.2)	3.27	(3.04)
	L Stewartry	4.9	(5.5)				
Fife	H Kirkcaldy	10.4	(9.7)	4.9	(4.1)	1.89	(1.73)
	L North East Fife	5.5	(5.6)				
Grampian	H Forres	12.0	(11.1)	9.1	(8.2)	4.14	(3.83)
	L Aberdeen	2.9	(2.9)				
Highland	H Sutherland	11.0	(14.0)	5.0	(7.8)	1.83	(2.26)
	L Badenoch	6.0	(6.2)				
Lothian	H Bathgate	10.7	(10.3)	5.2	(4.7)	1.96	(1.84)
	L Haddington	5.5	(5.6)				
Strathclyde	H Girvan	13.5	(13.7)	8.1	(6.7)	2.50	(1.96)
	L Oban	5.4	(7.0)				
Tayside	H Arbroath	10.5	(10.5)	5.5	(5.6)	2.10	(2.14)
	L Crieff	5.0	(4.9)				

+ Figures in bracket refer to the situation last quarter (January 1991)

Source: Department of Employment