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SUMMARYWorld and United Kingdom

The pace of recovery in the major economies of the world slackened in the course of 1976. The available evidence suggests that their growth in 1977 may be slower than had earlier been hoped for, and that further reductions in unemployment and in rates of inflation may be difficult to achieve in the short run.

In the United Kingdom it is too early to judge the effects on investment of the December measures and the stabilisation of the pound's external value. There would appear to be little scope for an expansion of consumption during 1977, but exports should continue to benefit from the recent depreciation of the pound.

In these circumstances, no more than a modest growth of output can be expected throughout the year. It is unlikely to be sufficient to lower the level of unemployment below the 1½ million mark before the end of the year. The rate of increases of prices should, however, fall in the second half of the year to somewhere between 10 and 15%.

Scotland

Economic activity in Scotland is sharply differentiated between regions and between industries. The economic centre of gravity continues to shift North-Eastwards, away from West Central Scotland. Prospects are brightest in export and oil-related industries. They are gloomiest in construction and consumer-related industries. The overall effect in terms of output in the first half of 1977 may be a small increase: the economy appears to have weathered the July measures, but it is too early to assess the effects of the December measures.

We expect that the seasonally adjusted unemployment rate will remain at its January level for a while, and thereafter decline to about 154,000 in June.