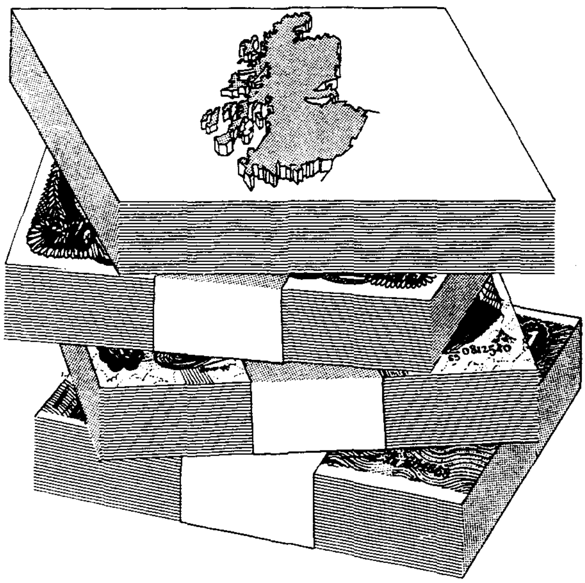
THE SCOTTISH ECONOMY



SHORT-TERM FORECASTS*

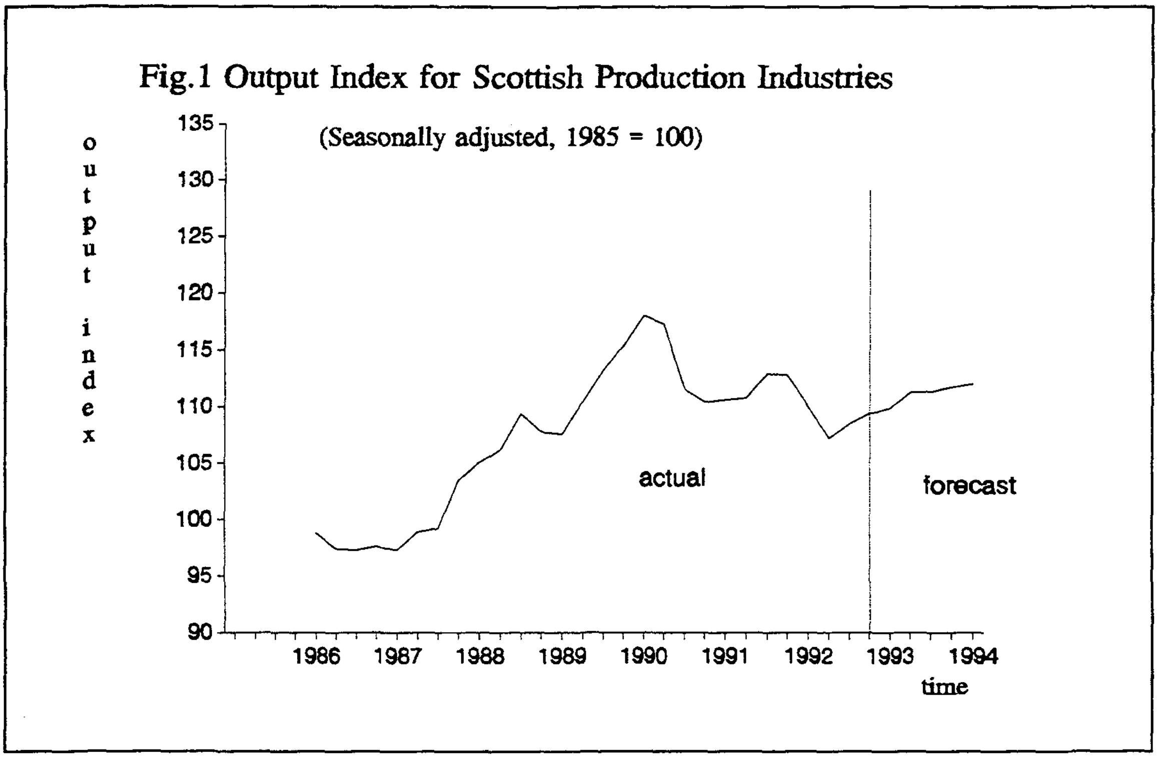
The latest official release of the seasonally adjusted output index for Scottish production industries (Divisions 1 to 4 of the 1980 SIC) shows a marked increase (4.7%) in the final quarter over the previous quarter last year. This increase is due largely to a dramatic 30% increase in the output of the electrical and instrument engineering industries in the final quarter. However, considering the overall performance of the UK manufacturing industry (including the electrical and instrument engineering industries which experienced a more modest growth of 3% in the same period), and given all the information contained in various business surveys, such a substantial increase in Scottish production output should, we think, be treated with caution.

There is evidence suggesting that at that time the performance of the Scottish production industries was more or less in line with those in the rest of the UK. Therefore, we discarded the last observation on the index for Scottish production output and and ran the forecast from 1992Q3 to 1994Q2. Figure 1 shows the actual index from 1986Q1 to 1992Q4 and the projections for 1993Q4 to 1992Q1. Further details of growth rates for Scottish production output are presented in Table 1. For 1993 as a whole, the output of Scottish production industries is expected to rise by 2.1% over the previous year.

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

1990/89	2.3
1991/90	-2.2
90Q4/89Q4	-4.4
91Q4/90Q4	2.2
Forecast	
92Q4/91Q4	-3.0
93Q4/92Q4	2.1
94Q2/93Q2	1.3
1992/91	-2.7
1993/92	2.1

* Development of the short-term model of the economy was made possible by the funding of a three-year research fellowship by TSB Bank Scotland.



SCOTTISH CHAMBERS' BUSINESS SURVEY

The principal results of the Scottish Chambers' Business Survey (SCBS) for the first quarter 1993 are detailed below. The SCBS, which is conducted by the Fraser of Allander Institute together with the Chambers of Commerce of Aberdeen, Central, Dundee, Edinburgh, Fife and Glasgow, is the most comprehensive regular survey of business, employment and other issues affecting the Scottish business community. In the present survey, which was conducted during March, 1,223 firms responded to the questionnaire.

Business Confidence

In Manufacturing, business confidence rose appreciably compared with the fourth quarter, with a net balance of 12.6% of respondents reporting that they were *more* optimistic than three months previously. In the fourth quarter 1992, a net balance of 4% of respondents reported that they were *less* optimistic than in the third quarter. In the first quarter, Manufacturing respondents were also more optimistic than they were in the same period a year ago, with a net balance of 9.1% of respondents reporting higher optimism. This compares with a balance of 12% of respondents who were less optimistic in the fourth quarter than in the same period a year earlier.

In Construction, a net balance of 19.6% of respondents reported that they were *more* optimistic than in the previous quarter. This indicates that the slight net increase in optimism (3%) in the fourth quarter has been sustained after the severe fall in confidence in the third quarter and the previously low levels of confidence present in the industry. A net balance of 13.4% of respondents reported that they were *more* optimistic than they were a year ago; an improvement of 38 percentage points on the response in the second quarter. Confidence in the sector has clearly improved significantly in recent months.

In Distribution, confidence has also improved considerably. In Retailing, a net balance of 10% of respondents were *more* optimistic about the general business situation than they were in the previous quarter. In Wholesaling, a net balance of 13.2% reported that they were more optimistic. This can be compared with the net balance of 1% in both Retailing and Wholesaling reporting a fall in optimism in the fourth quarter of last year. While retailers reported, on balance, an increase in confidence (+4.1%) over the same period a year ago, wholesalers reported a slight decline (-2.6%).

Optimism among respondents from the Tourism and Leisure sector turned round sharply in the current quarter. A net balance of 27.2% of respondents reported that they were *more* optimistic about the general business situation than they were three months earlier, compared with a balance of 7% in the fourth quarter who reported that they were *less* optimistic. A net balance of 23% of respondents were *more* optimistic in the first quarter than in the same period of 1992.

Orders and Sales

In Manufacturing, orders and sales have ceased to fall and appear to be starting to rise. For orders, those reporting a decrease were almost exactly balanced by those reporting an increase while, for sales, a balance of 2.2% of firms experienced a rise. These figures compare with negative balances of 8% and 10%, respectively, in the previous quarter. The increase in orders and sales was, however, largely confined to export markets.

In Construction, a small net balance of 2.2% reported an increase in orders after several quarters of declines. Orders from Central Government continue to be the most depressed, followed by other Public Sector orders and orders from the Private sector.

Retail sales are now rising again. A net balance of 5.8% of retailers reported that sales had *risen*, compared with the balance of 10% reporting a *fall* in sales in the previous quarter. In Wholesaling, sales have also begun to rise. A net balance of 1.9% of respondents reported a rise in sales, compared with the balance of 14% reporting a fall in sales in the last survey.

Tourism demand also increased in the first quarter. A net balance of 12.1% of companies reported an increase compared with the balance of 27% who reported a decline in the three months to December. The upturn in demand appears to have come principally from the Scottish market.

Stock Adjustments

Stocks of finished goods and raw materials in Manufacturing continue to be run down with net balances of 13.4%% and 19%, respectively, reporting a decline. The rate of contraction has therefore improved somewhat in the current quarter.

Finance and Investment

In the Financial sector, the growth in demand for personal loans has begun to increase again. A net balance of 18.4% of respondents reported and rise, compared with a balance of 5% reporting a fall in the previous quarter. Advances to the corporate sector continue to increase, as does the demand for working capital. Conversely, the demand for finance for investment in buildings, and plant and equipment continues to decline.

Manufacturing investment intentions in plant and machinery have been revised downwards again after stabilising in the previous quarter. There was a further deterioration in manufacturers' investment intentions in land and buildings, with a net balance of 9.2% of respondents reporting a decline, which is much the same as the rate of contraction in the fourth quarter. In Retailing and Wholesaling, investment intentions are now positive. Net balances of 5.1% and 4.4% of retail and wholesale respondents, respectively, reported an upward revision in investment intentions compared to the same period a year ago. The investment intentions of Construction respondents continue to decline.

Expectations

Expectations for the second quarter 1993 are generally for a further improvement in demand conditions. Demand is expected to rise in all principal sectors and in all major markets.The construction sector, on the other hand appears to be less sanguine about the course of future demand than the other sectors.

PRIMARY

FISHING

An important contributing factor to the present unrest in the UK fishing industry results from the fact that under their Common Fisheries Policy, in order to conserve fish stocks the EC now sets Total Allowable Catches annually for 103 species of fish. The Multi Annual Guidance Programme is the principal EC mechanism for restricting catches. It provides each member state with non-compulsory targets for the reduction in tonnage and motive power in each segment of the fishing fleet over a five year period. In the UK, we have never met the target reductions, and have therefore failed to qualify for EC grants to modernise and renew the fleet. Because of the failure to achieve these targets, we also have a backlog so that the UK must achieve a 19% reduction in fleet from the 1992 level by 1996.

Most EC member states have tackled the problem of reducing catches via decommissioning: that is to say, by taking boats out of service completely. However, EC regulations allow 45% of the reductions to be met through restricting the number of days that a vessel can spend at sea through a compulsory tie-up scheme. Legislation going through parliament is presently strengthening the UK tie-up scheme. Each vessel will be given a reference allocation based the number of half days that it spent at sea in 1991. Subsequent reductions in half days at sea which are expected to come into force in September/October of this year will be made against this reference number.

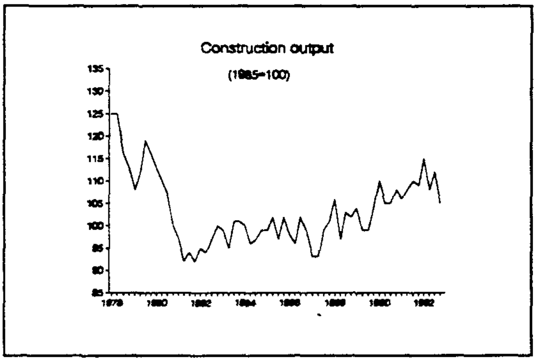
The government have indicated that the additional costs involved with the new tie-up regime are £1.5 million per annum, though the view of the National Federation of Fishermen's Organisations is that the complexity of the scheme, applying as it does to 5,000 fishing vessels, means that implementation will be considerably more expensive. The Sea Fish Industry Authority have calculated a likely loss of individual incomes in fishing of £1500 per annum which will not be compensated. Again, whilst EC funds have been available to aid the implementation of temporary laying-up schemes, the UK has received none of this money.

The House of Lords' Select Committee on the European Communitees has argued that decommissioning is the only long-run effective solution to conserving fish stocks and that compulsory tie-ups should only be used as an interim measure. Every other EC member country, apart from Ireland, which does not have to reduce its fishing fleet under existing EC targets, has had a decommissioning scheme for many years. EC grants are available for up to 50% of payments made by Member States for vessels decommissioned and transferred to other uses and up to 70% for vessels decommissioned for scrap. Between 1987-1992, 336.53 million ECU was paid by the EC to member countries for decommissioning schemes. Again, the UK received none of this.

Although in the recent past the government have been against decommissioning schemes, in February 1992 they announced their intention of setting up such a scheme and the Fisheries departments are currently finalising this. The government plan to spend £25 million over 3 years on decommissioning, with the effect on the fleet being authoritatively estimated at a 3.6% to 5% reduction. However, given that fleet capacity is increasing at an estimated 2% per annum, the Lords EC Committee has judged that the planned scheme is will not even reduce existing fleet capacity and a scheme four or five times more extensive is required to counter the lack of a decommissioning scheme in the previous decade.

CONSTRUCTION

The Scottish index of construction stood at 105.2 for the fourth quarter 1992, a 6.6% fall in output on the previous quarter. The UK experienced a drop of 0.9% during this period. The year on year change for Scottish construction output was an increase of 2.2%, which compares favourably with the UK drop of 5.3%.



In the light of the third quarter's increase in Scottish construction of 3.8%, the 6.6% fall in the fourth quarter is something of an enigma. The figures used to compile the Scottish index are supplied by the Department of the Environment and are often subject to revision, and it would seem wise in view of the above to see whether the 1992 Q4 figure is revised downward in the future.

Survey data shows a slightly more buoyant construction industry. The latest SCBS, for the first quarter of 1993, shows that a net 20% of respondents are more optimistic than they were in the fourth quarter of 1992 and that a net 3% are more optimistic than they were a year ago.

The trend in new orders shows that the

improvement will be led by the private sector, as central government and other public sector orders continue to exhibit negative balances.

Currently, respondents are reporting capacity utilisation of 72.7%, lower than the figure one year ago. The main limiting factor to output for 87.5% of firms was cited as a lack of orders or sales. Investment is down for a balance of respondents in both new building and for plant and equipment.

Total employment was down for a balance of 20% of respondents in the first quarter. Of those respondents awarding wage settlements, the average award was 3.7%.

The NHBC applications for housing starts increased by 23.1% in Scotland, to 3,200, in the first quarter of 1993. This compares with a quarterly increase of 55.1%, to 40,800, in the UK as a whole. A different picture is evident when comparing the first quarter 1993 with the first quarter 1992, which shows a fall of 13.5% in Scotland and a 4.3% fall in the UK as a whole, showing that there is still a long way to go to before a full recovery is pronounced. Housing completions show falls, when comparing Q1 1992 with Q1 1993, of 17.2% in Scotland and 11.8% in the UK as a whole.

Blue Circle's UK cement division reported a reduction in sales volume (for the first four months of 1993), of 6% on the same period a year ago but state that both demand and prices have now stabilised. RM Group (the former Ready Mixed Concrete company) lifted annual turnover by 12% and held pre tax profits fairly steady at £166.6 million, against the previous years £167.4 million, thus apparently managing to defy the recession.

Very conservative management and substantial cash reserves are cited as the main reasons for Henry Boot and Sons achieving record figures, with pre tax profits of £7 million completed with a bank balance of £11 million. Henry Boot Scotland, based at Ballieston, has been a major contributor to these impressive figures. Edinburgh based Miller Group also announced healthy pre-tax profits up to £3.5 million in 1992 from £0.5 million in 1991.

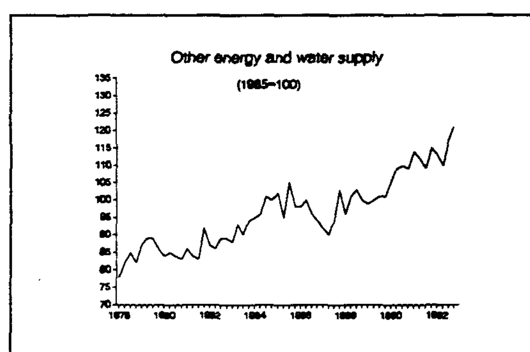
Trafalgar House has been rationalising its North Sea offshore oil and gas fabrication operations, with the merger of Redpath and RGC and a concomitant cut in the labour force from 7,000 to 4,000. However, it is now felt that the remaining jobs at the company's Fife yard are secure.

Lack of funds for their highway projects are restricting the regional authorities from implementing their 1993-1994 plans. Compounding this is the arrival of the Free Market in Scotland with an Italian joint venture of Impresa Castellie Construzioni Edilizie Sp A and Girola Sp A winning the Eaglesfield-Kirkpatrick Fleming section of the A74 upgrade. Soon the contractors signboards will be evident as you motor towards the border. Without wishing to stir xenophobia, this commentator wonders how many British (let alone Scottish) signboards are on motorway projects in Italy.

ENERGY

OIL AND GAS

The Royal Bank/Radio Scotland index for March was 107.1, representing an average output of 1.76 mbpd. This was a 12% fall in production from February overall, primarily attributable to the closure of BP's Forties complex from 13 March. Fields adversely affected to a significant extent included Forties, Miller, the Brae complex, Arbroath, Balmoral and Buchan. On the other hand, March output increased in Brent, Gannet and Statfjord.



Between February and March, the average dollar price of North Sea crude rose from $18.45 pb to $18.75 pb. However, the pound appreciated against the dollar during the same period, and so the average sterling price remained unchanged at £12.82 pb. By early May, the price of North Sea oil had risen to $19.25 pb, reflecting increased demand from US refineries and IEA estimates that OPEC had cut production in April by 300 thbpd.

In April, the government approved plans by Shell and Esso to undertake a major redevelopment of the

Brent field, extending its life by over ten years. The plans involve replacing processing equipment on three of Brent's platforms and upgrading the fourth. The scheme will cost £1.3 billion spread over six years, and will create an estimated 3,000 person-years of employment.

Undoubtedly the major topic of discussion in the oil industry in recent months, and a source of considerable controversy, has been the substantial change in the oil tax regime announced in the Budget. Apparently unexpected by the oil industry itself, the major tax changes, in summary, are that Petroleum Revenue Tax (PRT) has been abolished on all fields receiving development consent after mid-March this year. For existing fields, the rate of PRT falls from 75% to 50% from 1 July. Exploration and appraisal relief, which allows incremental drilling costs to be offset against profits from existing fields, is to be abolished. The major effects of the Budget tax changes are to increase the risk and potential return to exploration, to increase the net cash flow from existing fields, and to increase the incentive for incremental development of mature fields.

Any major change in a tax regime will create individual gainers and losers. Unsurprisingly, the attitude of each company to the new tax structure has been determined primarily by which of these it perceives itself to be! In fact, it is very difficult to estimate what the net effects of the tax changes on UK oil activity both offshore and onshore will be. This is because the outcomes will depend on the complex interaction of a range of, frequently offsetting, factors.

In particular:

(a) to the extent that increased risk reduces exploration activity on the UKCS, this could, other things being equal, lead to fewer new fields being found and ultimately lower the total volume of recoverable reserves. On the other hand, to the extent that incremental development of existing fields is stimulated, this will lead to an increase in the total volume of recoverable reserves. The net outcome of these opposing tendencies is unclear. Furthermore, since there are different time-lags involved in bringing a new field on stream and in incrementally developing on existing field, the net effect on the time profile of future UK production is also uncertain.

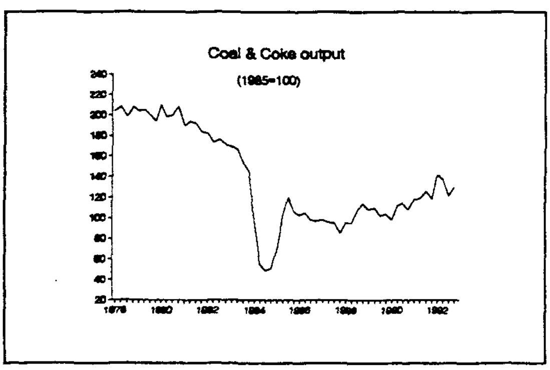
(b) A downturn in offshore exploration activity will decrease demand for associated onshore goods and services, but an upturn in offshore development will increase demand onshore. The net effect on onshore oil-related output and employment will depend on which of these factors is the stronger. However, since it is not generally the same companies which supply to the exploration and development markets, some restructuring of the onshore sector may be implied.

Oil analysts appear able to agree on only one aspect of the new tax regime: the Treasury is a net gainer, by an estimated £300 million in 1994/95 and £400 million in 1995/96.

COAL, ELECTRICITY & WATER

The debate of recent months over the restructuring and possible privatisation of water and sewerage services seems to be over in the face of an apparent Government u-turn over the issue. Indications are that the Government has now rejected both the option of full privatisation and the option of franchising, seen by some as a back-door to a full sell-off. Following a political row over assessment and associated costs, principally the amount paid to consultants Quayle Munro, which are now thought to be close to £1m, and in the wake of a rejection of privatisation by many Scottish Conservatives, the Government has now reconsidered its previous commitment to privatisation.

It is thought that a White Paper due to be published in July will propose the establishment of three,four or five Scottish water authorities to be retained in the public sector within the new single-tier authority structure. Under this scheme, councils or the new water authorities would own the assets with ultimate responsibility for delivery of service but with the day-to-day running contracted out. It is also likely that major capital projects would be carried out by the private sector who would finance and build assets such as sewerage treatment plants, pipelines, water purification plants etc, charging water authorities a fee for their use. The Build Own Operate and Transfer (BOOT) scheme involves such privately funded assets being transferred to local authority control at some point in the future. The costs of such investment would ultimately filter down to householders through water rates. This proposed mixture of public and private sector investment deals with concerns over public accountability and with pressure from the Treasury to increase private sector investment. It is the Government's priority to have the cost of investment excluded from PSBR calculations and officials are presently revising the estimated £5bn required capital spending over the next decade; £2.5bn is required to bring water up to EC standards and a further £2.5bn is required for infrastructure. Although we would expect the fact the water industry will be required to support an element of private profit to lead to rising costs to the consumer, it would be hoped that the Governments hybrid scheme would only be introduced to more competitive sectors of the industry in order that Scotland would not experience a rise in water rates similar to that of England and Wales i.e. an 8.6% increase in 1993-94 bills compared with a 0.5% increase in Scotland. Until a final decision is announced, details of how the system will be organised are unclear.



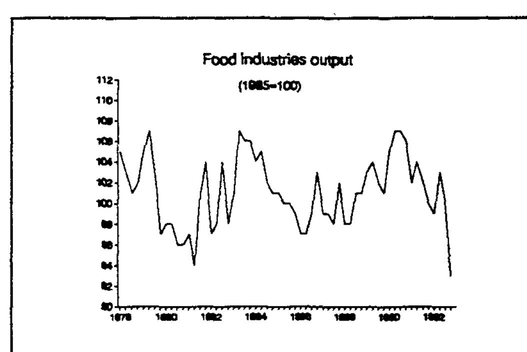
The coal industry in Scotland has showed a sharp rise in output in the fourth quarter of 1992, with the index of production rising 7.4%. This compares favourably with a 12.3% decrease in the third quarter and in comparison with an overall decline in UK production of 4.5% in the fourth quarter. The year-on-year increase in Scotland from 1991-92 shows a rise of 10% relative to a UK fall of 9%. It appears that the Scottish Coal industry has consolidated its competitive position both domestically within the UK and internationally.

Scottish Power has announced it is to spend more than £24m over the next four years to clean up pollution from the Longannet generating station. UK standards set in 1990 to meet EC law require Scottish Power and other major generators to cut Nitrous Oxide (NOx) emissions to 70% of 1980 levels. Scottish Power hope the new fuel burners will cut emissions by 30% in order to meet the 1998 provisions. Plans to cut emissions of the other major source of pollution, Sulphur Dioxide (SO2), are still under consideration but the required flue gas desulphurisation (FGD) equipment is expected to be installed by the end of the century, at an expected cost of £200m. This would allow them to achieve a reduction in SO2 emissions to 40% of 1980 levels by 2003,as required by UK standards. Scottish Power argue that these are somewhat demanding targets as Longannet already has a very low level of emissions due to the low sulphur content of Scottish coal.

MANUFACTURING

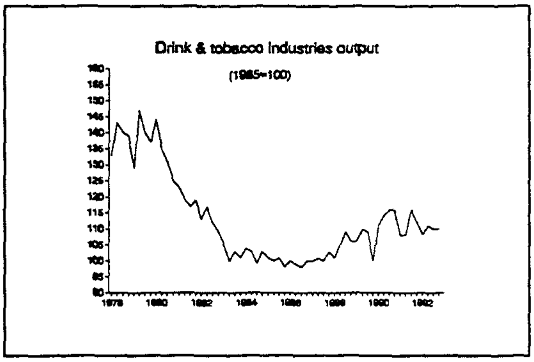
FOOD, DRINK AND TOBACCO

Both sectors of the industry in Scotland recorded a fall in output in the final quarter of 1992. The food industry was hit most severely recording a fall of 6%, which followed a 3% fall in the previous quarter. Output also fell across the UK by a more modest 2%. The performance of the food sector will obviously be in part a result of recession, but its longer term performance is also very sluggish, with an output level which has barely increased for eight years, at a time when real UK output is around 8% higher. The drinks industry saw a smaller reduction in output of only 1% in the final quarter of last year, a picture similar to that seen across the UK. In contrast to the food sector, drink output has risen by 10% since 1985.



The results from the Scottish Chambers Business Survey (SCBS) for food, drink and tobacco indicate a rather dispiriting short-term outlook. While 21% of respondents reported an increased level of confidence in the three months to April, this is lower than the 25% figure for the January survey.

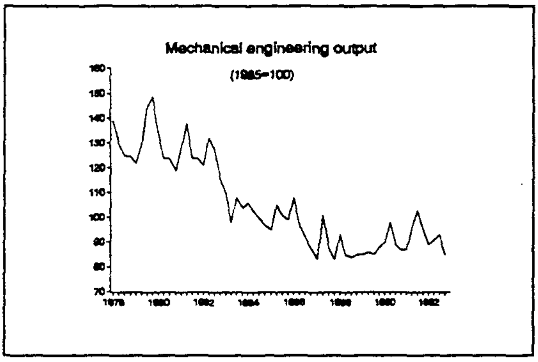
In addition, 22.4% reported decreased confidence. 28.8% of companies reported a fall in sales in the April survey compared to 31.8% who saw sales increase, indicating little overall change during the period. Average capacity utilisation was 66.6%, a sharp drop of 6.3% from the January figure, with 35% reporting that capacity utilisation was down on the same period in the previous year. In addition, there was an exact balance between those who had revised investment intentions upwards and downwards, while most investment which had occurred was to increase productivity. Not surprisingly, there appears to be little realistic prospect of any employment growth in the short term. As many firms increased employment as decreased it in the period before the survey and a net balance of increases and decreases is expected over the next quarter, while 60% of companies expect their level of employment to be unchanged.



MECHANICAL ENGINEERING

The Mechanical Engineering industry in Scotland showed a sharp decrease in output in the fourth quarter of 1992 with a 9.6% fall in seasonally-adjusted production. This follows a rise in output of 3.3% over the third quarter of 1992. This compares with the smaller drops in production of 1.04% and 1.05% over the third and fourth quarters, respectively, experienced by the industry in the UK as a whole. However, the year-on-year decrease in production in Scotland from 1991 to 1992, of 5%, is mirrored in the figures for the whole of the UK.

The latest business survey by the Fraser of Allander Institute/ Scottish Chamber of Commerce for April, however, generally points to the industry improving slightly over the next three months. Thus, despite the falls in output over the last quarter of 1992, a balance of 10.8% of firms expected the trend in new orders to rise over the next three months (although, slightly less than half the sample anticipated no change). A net figure of 8.4% of firms also foresee the trend in sales rising over the next quarter. The responses of those firms surveyed indicated that exports were expected to be the main source of the increase in new orders and sales.



The fragile recovery hoped for by the Scottish firms, would be threatened if these additional exports failed to materialise. The Engineering Employers' Federation, in its latest economic trends report, is worried that the sluggish performance of the European economies will not be capable of supporting a recovery in the engineering sector. Additionally, the recent strengthening of the pound (a rise of over 5% against the German Mark since February) may, if it continues, serve to erode the gains in competitiveness made within the UK's engineering sector over the past four years.

The Business Survey also indicates that capital investment plans in the Mechanical Engineering industry in Scotland, remain largely unchanged with, if anything, a slight downgrading of investment plans for both plant and equipment and land and buildings. The actual trend of a rundown of stocks of finished goods, work-in-progress and raw materials is also set to continue over the coming quarter according to those firms questioned. The main reason given for the investment which has taken place, is to increase efficiency (43.9%), followed by investment to replace the existing capital stock (26.8%).

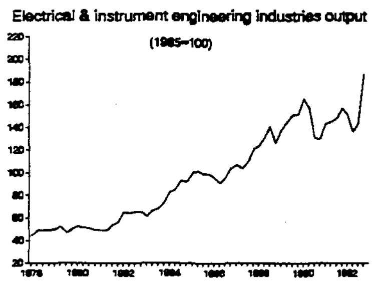
The reduction in total employment within the industry is also expected to continue over the next three months, although the balance of those anticipating a reduction in total employment (17%) is less than the net number of firms who actually reduced staff levels in the preceding three months (22.4%). Only 25.9% of firms increased wages/salaries over the last three months, and only 27.6% made any attempt to recruit staff over the same period. Further more, over 95% of firms answered that they were having no difficulty in retaining staff. This general slackness in the labour market is also reflected in the fact that finding suitable staff does not appear to be a problem, except perhaps in the case of skilled manual workers where a third of firms indicated that the were experiencing difficulties in recruiting suitable staff.

From the evidence of the latest Business Survey, the large fall in output in the Scottish Mechanical Engineering industry during the final quarter of 1992 appears to be a temporary phenomenon, with most firms expecting output to hold steady or increase over the next three months. The demand from export markets would also appear to be critical in prompting a recovery in the industry, with the value of the pound and the strength of the European economies being of upmost concern. Despite this, however, the restraint on wages/salaries and the reluctance to recruit looks set to continue into the next quarter.

ELECTRONICS

The Index of Production for the electrical and instrument engineering sector in Scotland rose by a staggering 30% in the final quarter of 1992. While this, if confirmed, would be by far the most encouraging news to emerge for some time (it would put the value of production at the highest level ever recorded), it would seem wise to interpret the figure cautiously for the moment. Large quarterly changes in industry output have previously been observed (notably the 20% drop recorded in the third quarter of 1990) but changes of the order of 30% are not common occurrences. Furthermore, although some encouraging news is contained in the results of the April Scottish Chambers' Business Survey (SCBS), there is nothing to suggest that a recovery of the magnitude suggested by the fourth quarter figure is in progress. Thirdly, there has clearly not been the sort of growth in the industry's main markets in Europe which would cause output to increase to this extent. Finally, the increase in output reported in Scotland is not confirmed for the UK, where output rose by a much smaller 3%, (which includes the increase in Scotland). In view of all of this, we await confirmation when the index is next published.

Results from the SCBS for April do confirm some, albeit much more modest, recovery in the industry. Almost 40% of respondents reported increased business confidence in the quarter, compared to 27.6% who reported increased confidence in the January survey. 37.9% of respondents to the April survey also reported an increase in orders, with sales to Europe showing most growth. On average, companies reported operating at 78% of capacity, 3% higher than January. Some new investment may also be in prospect, with 28% of companies having revised investment intensions upwards in the three months prior to April. In January, only 15.6% had increased investment intentions. Despite this, the outlook for short-term employment prospects remains poor, with 24.3% expecting to reduce employment in the next quarter compared to 22% who expect it to increase. To some extent, this reflects increased productivity, with 23.8% of companies who had invested in plant and equipment having done so in order to increase efficiency.

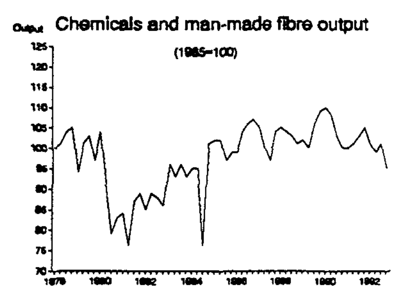


CHEMICALS AND MAN-MADE FIBRES

The latest Index of Production and Construction figures released by the Scottish Office, show that production of chemicals and man-made fibres in Scotland fell by 6% in the fourth quarter of 1992. Production in the latest four compared to the previous four quarters also fell, by 3%, which compares with rises for the UK as a whole of 3% and 2% respectively. The annual production index for Scotland shows the lowest level of output since 1984.

The Scottish Chamber of Commerce Survey for April 1993 shows a different and improving picture. Optimism within the industry is higher, showing a positive net balance of 7.4%, compared to a negative balance of 4.1% in January. This is still less than a year ago, when the 'false dawn' of economic recovery around election time saw a positive balance of 8%.

Last quarters expectations of an increase in the trend of new orders and sales have materialised. The net balance of actual volume in both new orders and sales over the last 3 months was +11.1%. However this increase was obtained via a strong Sottish market, (with a positive net balance in new orders of 8.3% and in sales of 17.4%), and export markets, (+18.7% and +31.2% respectively). Both indicators saw a negative net balance in the rest of the UK market of 29.5%. Expectations for the next 3 months also show a positive net balance of 22.2% for new orders and 25.9% for sales, with all areas showing an expected improvement, and once again the highest net balances are expected in export markets.



The current level of capacity utilisation, at 79.5% is higher than last quarter, but compared to last year a net balance of 12.5% of respondents have seen capacity utilization fall. Although actual investment in plant and machinery over the last 3 months shows a positive net balance of 15.4%, (with a net balance expecting a rise in investment in the next 3 months also standing at +15.4%), only 7.1% of respondents indicated that this was to increase capacity, and 75% of respondents still expect lack of orders to limit production.

On the employment front, a net balance of respondents saw no change in the trend for total, or male employment over the last three months; however the trend in female employment was seen as downward by a net balance of 7.7%, whilst part-time and temporary employment had a positive net balance of 4.8% and 4.9% respectively. However, expectations for the trend in employment over the next 3 months still shows a small negative net balance for nearly all types of employment. The only exception is in part-time workers, with no change in trend expected. Overtime has continued to fall, with a net balance in the trend of -20.8%, with an expectation of a further fall by a net 16.7% of respondents. However, there are no respondents who have seen, or expect, the trend in short time working to increase, leaving a net balance expecting a fall of 26.7% for both indicators. 22.2% of employers raised wages last quarter, by an average of 4.3%, above the rate of inflation.

It would appear that the worst of the recession is seen as over by many in this sector of the economy, and though there are still expected to be slight falls in unemployment, the indications of general optimism, sales, short time working and the like seem to be improving, in a similar way to last year. However, the new problems that may face companies over the forthcoming months are indicated by the fact that 40% of those employers recruiting staff are now facing problems finding suitably qualified employees.

In the company sector, government trials of AZT showed that it does not stop or increase the time taken for HIV+ patients to develop AIDS. This result caused a sharp initial fall in the price of Wellcome shares. However the effect of this test result is that there will be no early use of AZT for HIV+ patients, though its general use for patients with AIDS will continue. Thus, though there will be no expansion in the groups who use the drug, the market for the drug remains as it initially was.

TEXTILES, LEATHER, CLOTHING AND FOOTWEAR

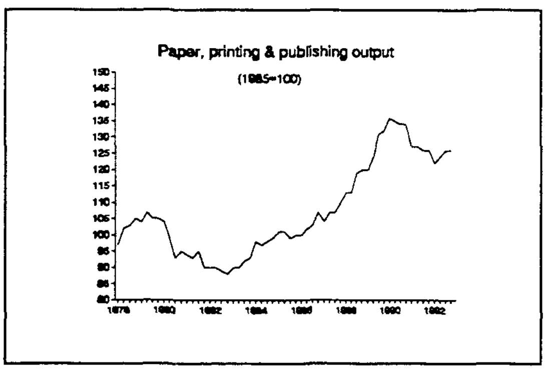
Industry output in Scotland remained unchanged in the final quarter of last year, and still stands around 19% below the peak level achieved in the first quarter of 1988, reflecting the severe difficulties faced by companies in this sector. Output has now either fallen or, at best, remained static for nine quarters. A similar static picture was also recorded across the UK as a whole.

The Scottish Chambers' Business Survey (SCBS) for April does, however, present some very modest signs of a possible upturn. 31% of respondents reported that confidence had increased in the three months to April (a figure up very slightly on the January figure) while only 24% felt less confident. The net increase in confidence seems to stem mainly from orders in the pipeline - while the net balance of firms experiencing an increase in orders over those experiencing a decrease was less than 1%, 29.3% of companies expected orders to increase in the three months following the April survey, compared to only 18% who expected orders to fall. Most of this increase is expected to occur in export markets. The industry operated at an average capacity level of 77.7%, marginally down from the 79.5% recorded in January. With 19% of companies expecting to increase employment in the next quarter compared to 18% who expect it to decrease. There appears to be little ground for expecting any output increases to follow into the new jobs.

In the company sector, a merger has been announced between two independent textile companies, Bryant of Scotland and Kinloch Anderson. Both companies are highly export-intensive and had previously worked together on a number of joint projects.

PAPER, PRINTING AND PUBLISHING

Figures from the latest Index of Production and Construction for the fourth quarter of 1992 show no change in the levels of production since the previous quarter, in the paper, printing and publishing industry. Output has declined by 1% since the fourth quarter of 1991.



The findings from the latest Scottish Chambers Business Survey show a net 7% of firms feel more optimistic about the current business situation than 3 months ago. However general levels of confidence are lower than the corresponding period in 1991.

Total new orders fell for a net 2% of firms but the expected trend for the next quarter appears more positive, with a net 15% expecting an improvement in the number of new orders. Total volume of sales are down by a net 11% on corresponding figures from the previous quarter, but again an upturn is expected in the next quarter.

Investment in plants and equipment increased for a net 6% of firms with a slight increase in investment also expected in the next three months. Total employment levels fell for a net 27% of firms with no expected upturn in the foreseeable future. Wage rates have remained fairly static. Only one quarter of firms increased wage rates with an average rise of a modest 3.5%.

Inveresk, the Dunfermline based speciality paper maker plan a share flotation of the company in June 1993 which is expected to raise an estimated £30m. This would take the value of the company to £75m. The turnover of Inveresk, whose management staged a £31m buyout from its American owners Georgia-Pacific in 1990, has fallen from £98m in 1990 to £88m in 1992. However, in 1992 the firm ceased production of cheaper, loss making paper production to concentrate on higher quality products. City analysts expect a rise in Inveresk profits from £5.1m to £9m in the current year.

The newspaper industry, opposed to government plans for statutory control of the press have tabled alternatives to the government which would maintain their self-regulatory status. Mr Harry Roache, chairman of the Press Standards Board of Finance stated the industry's reluctance towards government regulation, but recognised the need for a more socially responsible press. Alternatives put forward included a helpline run by the Press Complaints Commission giving advice on journalists' codes of practice. Also, the structure of the Press Complaints Commission itself may be altered to redress the current bias of the press in the membership of the Commission. This would be achieved by including more non press members and the presence of an independent chairman.

SERVICES

FINANCIAL SECTOR

The takeover of Scottish Equitable by the Dutch based Aegon insurance group has proceeded so far with apparently little unfavourable comment. The basic element of the deal is an injection of £240m into Scottish Equitable of which £200m is to be passed on to policyholders. The operations and hence the profits of Scottish Equitable are being split into two. One part of the business is to belong entirely to the with-profits policyholders and to receive all of the premium payments and investment returns of the with-profits policies. Ownership and profits on the other part of the business is to belong 60% to the with-profits policyholders and 40% to Aegon with an option belonging to Aegon to increase its share of profits to just over 50% by 1999 and presumably higher if it desires, thereafter. In effect, the with-profits policyholders are selling for £200m a 40% share in the non with-profits business of Scottish Equitable, and in addition Aegon is injecting £40m in additional capital into the new joint business.

The attraction of the deal to the managers of Scottish Equitable is that it provides capital for the continued expansion of the business. Scottish Equitable has been very successful in increasing its funds under management in the last ten years particularly in the area of unit-linked funds. However, expansion in the life assurance industry is expensive with the administrative and marketing costs associated with a new policy occurring up-front in the first year or so of a policy's life, and the income coming as a continuing stream over an extended period of years thereafter. Hence, although in present value terms expansion may be very favourable, in the short term it leaves the life companies with a financing problem which can be difficult to solve given their need to meet regulatory requirements.

The deal with Scottish Equitable can be assumed to be favourable to Aegon. £240m is not a great amount to pay for control of a well established life assurance company particularly since £40m of the total is being used to strengthen the company. We do not know what the appropriate price is to pay for a company which is managing assets for a fee, but we must assume that Aegon believes its new acquisition is at least fairly priced, if not actually cheap.

The question then remains of whether the with-profits policyholders are doing well out of the transaction. They are receiving £200m which will be added to the with-profits pool and may be added to bonuses. In return for this money they are giving up initially 40% of the profits accruing from the strengthened, non with-profits part of Scottish Equitable's business. They may also be undermining the future of the existing with-profits business since it is unlikely that the new owners will wish to see this being developed since it does not add to Aegon's profits. It is impossible on the basis of current knowledge to argue categorically that the deal on offer is good or bad for policyholders. However, a number of factors are worth considering and might persuade us to look critically at any figures when they become available.

The first and most general point is to question the alternatives open to Scottish Equitable. There is a continuing suspicion that whilst Scottish Equitable (and other mutuals) 'belong' to the policyholders they are actually run for the benefit of managers with little or no outside constraint on managers activities. Expansion of the society is clearly of benefit to the managers but is it in the best interests of existing with-profits policyholders? A popular assertion is that the with-profits policyholders would benefit from the closing of the fund with no further business being taken on and a reduction in expenses. It is important to question whether the monetary contributions from Aegon outweigh the possible advantages to the policyholders of such a strategy. Of course, suggestions such as closing the fund, are open to the objection that the mission of mutuals is not only to existing policyholders but also to future policyholders, but even if we accept such assertions (which are amazingly convenient since they allow the managers to interpret almost any action as being of potential future benefit), much of Scottish Equitable's growth is not in the with-profits business but in other areas. Does it make sense to demutualise in order to expand activities that do not help (except through their profitability just like any other investment) the with-profits policyholders? Closing a fund or restricting its growth to within its traditional activities are likely to be unpopular with Scottish Equitable's managers but can we be sure that they are not in the best interests of the with-profits policyholders?

Even if we are prepared to accept the need for outside capital to fund growth a second question faces us. Is this particular deal the best way of seeking alternative capital? It is probable that the managers explored a variety of alternative methods of raising funds but their perspective inevitably is likely to have been limited by their desire to maintain the status quo and perhaps, more importantly, their employment. The with-profits policyholders perspective is inevitably different. Leaving aside any emotional arguments in favour of mutuality, and we can be sure that for some policyholders these arguments are important and powerful, the concern of with-profits policyholders should be with maximising the value of their assets. The asset in this case is the non with-profits business of Scottish Equitable. Did the managers investigate the possibility of selling off this side of the business to some other player, domestic or foreign, in the market? Was any thought given to selling off part or all of the business to Scottish Equitable's own policyholders by means of some sort of rights issue or divestment? What were the possibilities of joining with another mutual in order to improve efficiency and achieve significant savings? Inevitably, any alternative is open to objection. Arguments can be made to reject or support any particular course of action. However, what one is looking for is some reassurance that it is the with-profits policyholders interests that are being looked after and not the interests of the managers. A merger with another mutual might have resulted in a need for fewer staff, either in distribution or in head office operations or even both, with considerable personal consequences for some of the managers, or might not have solved the need for increased capital to fund expansion. However, it would be of considerable interest to learn to what extent alternative avenues were explored and with what diligence.

The problem with all mutual societies is that one cannot rely on the takeover mechanism of the stock market to exert any control. The senior managers control the flow of information to policyholders and are largely immune from external pressures. The policyholder has virtually no way of controlling the activities of managers. In many circumstances this does not appear to be too important. A strong sense of professionalism leads the mutuals, in general, to invest cautiously and carefully with beneficial results to policyholders. The best interests of the managers are closely associated with the best interests of the policyholders. However, in cases of merger, takeover, or other forms of reorganisation the interests of the managers and their own employment may outweigh their duties to the policyholders. We are not of course suggesting that this is deliberate. It is just that in times of crisis it is too easy to identify the interests of the managers as being identical with the interests of the policyholders. Unfortunately, this is unlikely to be the case. A clear conflict of interest may well occur. There is surely a case for the with-profits policyholders having the right and indeed, given the importance of the decision, the obligation to select advisers who should have access to the records of the company and be able to question the role and decisions of management in an active fashion. An independent Actuary selected by the managers is not enough. What is required is for the policyholders to have their own representatives examining the deals on offer and providing unbiased information to the members. Only then can we be sure that any deals that are proposed are likely to be in the best interests of the policyholders. Giving the owners the right to access information and see for themselves what their agents are negotiating in their name does not seem much to ask when the stakes are so high.

DISTRIBUTIVE TRADES

In common with other sectors in the Scottish Chambers' Business Survey (SCBS) optimism rose significantly in wholesale distribution in the first quarter, a net balance of 13% reported being more optimistic at the end of the quarter than they had been at the end of 1992. However, a slight majority remained less optimistic than they had been in the first quarter of 1992. Confidence among retail distribution respondents in the SCBS improved in the first quarter of 1993 and the balance of optimism at +10% was the highest since the third quarter of 1991.

The downward trend in total orders for wholesale distribution respondents was reversed and a net balance of 2% reported an increase in sales. 52% expected credit facilities to be the factor most likely to restrict their sales during the second quarter. Compared to the same period a year ago, the trend in total retail sales improved for a net 6% of responding firms and a net of 22% expect a further improvement in the three months to June. 41% of respondents reported that credit facilities is the factor most likely to limit output in the second quarter.

The downward trend in employment among wholesale respondents to the SCBS accelerated and full time staff were more affected by this downturn than part time staff. Overtime trends remained on a downward pattern, and this is not expected to change in the second quarter. Despite the improvement in confidence and sales among retail respondents the trend in total employment continued to decline and the rate of decline accelerated; it is however expected to slow in the three months to June. Male and full time employment declined at a slightly faster rate than female and part time. During the second quarter a balance of respondents expect to increase female, part time and temporary staff.

A third of wholesale respondents reported increasing wages/salaries, the average increase of 4.0% continued the downward trend in the average settlement level. A third sought to recruit and relatively few recruitment difficulties were reported.

22% of retailers increased wages during the first quarter and the average increase was 4.5%; 0.8% less than in the first quarter of 1992 and 2.6% less than the average increase in the fourth quarter of 1992.

36% of retail firms attempted to recruit staff during the period of the survey, 8% less than in the previous quarter, and 10% of recruiting firms reported that previous recruitment problems had intensified. 10% of recruiting firms reported problems in attracting suitable skilled manual workers; 9% reported problems in attracting other manual staff; and 8% in recruiting professional and managerial staff.

In April, the seasonally adjusted estimate of retal sales fell by 0.3% over the March figure but remained 2.4% higher than the April 1992 level.

HEALTH

Development of the 'internal' market continues in Scotland with health minister Lord Fraser announcing that public consultation on 14 trust applications started at the end of April and that the Scottish Office is considering another 10 expressions of interest.

One approved trust is the Victoria Infirmary in Glasgow, which along with Stobhill Hospital has been earmarked for closure under various options under consideration by Greater Glasgow HB. The Board is soon to announce its preferred strategy and the indications are that a brand new district general hospital for the South Side is under review. Glasgow District council has offered land adjacent to the Victoria.

The new private hospital at Clydebank run by Health Care International is nearing completion and was the subject of recent newspaper coverage. Although the stated aim is to service the (private) international market, it was suggested that several Scottish health boards have already been putting out feelers to the management of the new hospital. In the new market-driven contractual framework for the NHS it will come as no surprise if the new hospital lands some NHS contracts. The intriguing possibility arises that the capacity provided by this hospital may have some bearing on the ultimate outcome of the acute service reorganisation mentioned in the previous paragraph.

Private money was also in the news with the announcement that private partnership funding for NHS capital projects is to be made easier with the announcement that projects up to £10 million in value can go ahead without prior Treasury approval.

Meanwhile, the demands for careful study of the outcomes of health care, for example in terms of changes in health status and quality of life, increase. With this in mind the Scottish Home and Health Department and the Economics and Social science Research Council funded a workshop on the quality of life in relationship to health care in Edinburgh in April. This was attended by a significant proportion of UK researchers who are working on outcome measurement. It was clear from the deliberations at the workshop that a huge agenda remains to be addressed, not least if decision-makers such as purchasers and providers are to be better informed.

TRANSPORT

By April 1994 the Government plans that the first stages of rail privatisation will be underway, believing that the industry which made losses of £144 million can benefit from private sector skills and resources and offer an improved service to passengers.

The question that remains is whether passengers will benefit from such a move? The Government has not sought assurances from the private sector on a number of issues: it will not ask private operators to guarantee off peak services, discounted rail travel or services to rural areas. Mr MacGregor has stated that he will leave such decisions to the private sector. The Railways Bill will split British Rail in two with one body operating trains and the other operating the tracks. Freight operations will be sold and passenger services will be franchised out. The track authority, Railtrack, has argued that unless it earns a commercial return on its assets it will not be able to invest in improved services. However, by requiring Railtrack to earn a commercial return both higher fares and line closures seem inevitable.

Criticism also comes from the largest railway equipment manufacturer in Britain, GEC, who have argued that the transition to privatisation will result in a lack of orders. They feel that private operators will be unwilling to purchase new stock for fear that they will lose their franchise. As an indication of things to come, Strathclyde Regional Council has cancelled a proposed, and necessary, £52 million development to tracks and trains until it has reassurances that the network would be involved in the franchising of Scotrail and that fares would remain subsidised, not wishing the benefits of investment to go to the private sector.

TOURISM

Headline figures from the United Kingdom Tourism Survey, the results of which are not due to be published by the four UK national tourist boards until the summer, suggest that tourism in Scotland experienced no significant overall growth in the domestic market during 1992.

Volume and value of British tourism to Scotland, 1989-92

All *tourism*	*Trips*	Bed *nights*	Expend-*iture*
1989	10.0m	46.6m	£1385m
1990	7.7m	37.4m	£1035m
1991	8.2m	42.4m	£1190m
1992	8.9m	42.3m	£1220m

Source: Scottish Tourist Board

The bulk of the increased number of trips in 1992 is made up by an extra 0.7m visits by Scottish residents, visits by English residents falling by 0.1m. This is certainly a rather better performance than had seemed likely on the basis of interim figures issued at the end of last year. But the full picture for 1992 will only emerge when the International Passenger Survey results confirm or confound expectations of a 6% increase in overseas tourism to Scotland.

The domestic tourism scene has been affected in various ways by the recession. It is likely that the increased number of trips by Scots incudes more **holiday** trips taken in substitution for more expensive visits abroad or to other parts of the UK. A tendency for these trips to be shorter in duration and to involve less expenditure emerged in the first six months of 1992. Scots seem also to have been making more visits to friends and relatives, which can typically be expected to involve less expenditure than staying in commercial accommodation.

None of this suggests that the Scottish tourism industry is well placed to make a strong recovery in the domestic market once consumer confidence returns. The industry awaits the outcome of the Scottish Office review of the support arrangements for Scottish tourism, now expected in June. Although the bulk of the more than 200 hundred submissions made by interested parties appear to have supported the position of the Scottish Tourist Board, there is no consensus among the key players as to the best structure for public sector involvement in tourism.

Little can be learned from England, where the outcome of a review last autumn resulted only in further cutbacks in the budget of the English Tourist Board. In announcing this, Heritage Secretary Peter Brooke was ill-advised enough to offer as an explanation the contention that tourism is a mature industry. Victor Middleton, Director of the World Travel and Tourism Environment Research Centre at Oxford, has rightly denounced this muddled thinking, arguing that while the market for tourism may be mature the only relatively mature sector of UK travel and tourism industry are overseas package tour operators. Domestic tourism in the UK is characterised by very small establishments, the majority of which primarily serve residents rather than visitors. Middleton contends that outside London over 85% of the core business is domestic tourism and that while overseas visits are important they are mostly marginal and that to sustain their businesses, tourism operators in the UK need an agreed national strategy which is based on a better understanding of the industry than Peter Brooke's statement seems to indicate.

The National Economic Development Council's Working Party on Competitiveness in Tourism and Leisure, in a valedictory report published last year, identified a number of areas requiring attention. The report suggests that the industry has much to do to make itself modern, efficient, competitive and attractive as a career, and that the government should "recognise tourism's national economic importance, bearing it in mind whenever policy developments may have an effect on the attractiveness of the UK as a holiday destination or on the regulation of the industry". To this end it proposes a new body to lobby legislators in Westminster and Brussels and to achieve a more favourable image for the industry. On the basis of comparisons between the UK, France and Germany, the report also concludes that in general manpower productivity in the UK hotel sector is low. In order to help improve training and performance it suggests two long-term demonstration projects in hotels. Further suggestions include a call for local authorities to be given a statutory duty to provide tourism services in their areas and for more good quality self-catering accommodation to be provided, including Center Parcs-style, purpose-built holiday villages.

So far, little of this seems to have worked its way through into agreed strategies or action plans at the UK level. In Scotland it remains to be seen whether the expected reorganisation of public sector arrangements and such initiatives as the recently launched Tourism Training Forum with the participation of STB, Scottish Enterprise and the private sector, are adequate measures to help the Scottish tourism industry meet the competitive challenge from other destinations. Although Scotland broadly maintained its share of international travel arrivals in the UK between 1980 and 1991 and has recently done particularly well in attracting more visitors from Europe, there must be some concern as to whether the greater resources recently poured into new product development in other countries - Ireland is a particularly striking example - will not soon begin to erode Scotland's competitive position in the European market. In this sense the opening this year of four new quality visitor attractions - the "Honours of the Kingdom" exhibition at Edinburgh Castle, Glasgow's St. Mungo Museum and Dundee's Discovery Heritage Centre, each of which is unique in content, and of DeepSea World at North Queensferry, which is a family attraction on an ambitious scale - must be seen as an important enhancement of Scotland's offerings.

THE LABOUR MARKET

EMPLOYMENT

Recent experience of changes in official estimates of employment data emphasise the need for caution amongst those who seek to interpret recent labour market trends.

The most recent employment data are for December 1992, and these are reported in Tables 1 and 2. Overall, total employees in employment fell by around 15,000 (0.1%) in the year to December 1992. Male employees in employment fell by 33,000 (3.2%), and total female employment rose by 19,000 (2.0%). Part-time female employment rose by 20,000 (4.8%), and full-time female employment fell by 1,000 (0.0%). The number of employees in employment in production and construction fell by 23,000 over the calendar year, a fall of 4.2%, but numbers employed in services increased by some 2,000.

Over the year to December 1992 an employment gain was registered by Construction (6,000) while Other Manufacturing registered the biggest employment losses (19,000).

Vacancies: stocks and flows

Over the year to March 1993 unfilled vacancies at job centres in Scotland fluctuated between 16.8 (16.4) and 20.1 (20.9) thousands on a seasonally adjusted (unadjusted) basis (Table 3). Vacancies rose by 1.6 thousands from 18.5 to 20.1 thousands over the year to March 1993 on a seasonally adjusted basis. The net increase in the stock of unfilled vacancies conceals much larger gross inflows and outflows (Table 4). These were of a similar order of magnitude to the outstanding stock of vacancies in each month. For example, in March 1993 inflows of 22.5 thousand were identical to outflows. The short average duration of vacancies is a sign that employers on average do not find it difficult to fill posts because of a continuing slackness in the labour market (although employers may still find it difficult to recruit specific skills in particular locations).

Unemployment: stocks and flows

Recent data on the seasonally adjusted unemployment stock are presented in Table 5. The most recent data, of course, reflect the current rules governing eligibility to claim benefit which have been in place since September 1988. These reflect the extension of a guaranteed offer of a YTS place to all those under 18 who have not found a job, under the Employment Training Scheme. Under 18s are consequently not entitled to claim benefit and so are excluded from the unemployment count.

Unemployment, on a seasonally adjusted basis, rose in each of the ten months up to and including August 1991, fell in September and remained constant in October of that year. In contrast unemployment continued to rise in the UK as a whole. However, unemployment then increased in 14 of the 15 months up to and including January of this year, the exception being March 1992 in which unemployment fell by 0.2 thousand. However, unemployment then fell in both February and March. It is unusual for unemployment to fall at such an early stage in what appears to be a recovery. Normally it takes some time for a recovery in output to feed through to employment as employers eliminate labour which they have "hoarded" during the recession. It remains to be seen whether the data reflect the recent tougher line in the payment of unemployment benefits or genuinely reflect a recovery.

Over the year to March 1993 total unemployment rose by about 13.1 thousand, from a low of 231.3 thousand from 9.2% to 9.6% of the working population. This represents a major increase in the level of unemployment of 5.7 per cent. The aggregate figures reflect an increase in female unemployment of 0.3 thousand, and an increase of 12.8 thousand in male unemployment.

Table 6 presents recent flows into and out of the unemployment stock. In March 1993 inflows were, at 31.3 thousand, about 0.5 thousand less than in the same month of 1992. Outflows were, at 38.2 thousand, 4.0 thousand more than in January 1992.

If gross outflows were maintained at their March 1993 level unemployment stocks could turnover in just over 6 months.

BUSINESS SURVEY EVIDENCE

Results from the Scottish Chambers' Business Survey for the first quarter of 1993 shed some light on the question of whether employment is actually rising, which is an interesting question given the reported reductions in the numbers unemployed.

Downward trends in total employment levels for all sectors had been expected for the first quarter of 1993, and these did indeed occur in all sectors. The rate of decline in employment levels was steeper than had been predicted in Manufacturing, Wholesale and Finance, but lower than had been expected in Construction, Retail and Tourism/Leisure. Nevertheless, as Table 7 shows, the rate of decline in total employment levels is less in all sectors, other than Wholesale Distribution.

All sectors expect a further slowing down in the rate of decline in employment levels in the second quarter, and a seasonal growth in employment is expected in Tourism/Leisure.

Within Manufacturing a net balance of 24% of metal manufacturing respondents reported a decline in employment levels, in mechanical engineering 22%, and in electronics 10%. In contrast chemicals and food, drink and tobacco respondents reported no change to employment levels. Textiles reported a slight increase.

In Manufacturing part time, temporary and sub contracting appeared to suffer less than full time employment. Temporary employment outperformed full time employment in: metal manufacture, chemicals, electronics and textiles. Subcontracting was reported as outperforming full time employment in metal manufacture, mechanical engineering, food and textiles.

The results support the impression that the declining levels of unemployment over the past three months reflect more a reduction in the numbers recorded as unemployed rather than any increase in employment. Evidence for this interpretation is supported by the trends in overtime and short time working for the first quarter of 1993.

Levels of overtime working remained depressed with downward trends reported in all major manufacturing sectors. In mechanical engineering a net balance of 27% reported a drop in the levels of overtime working, in electronics 18% and in textiles 15%. Only a slowing down in the rate of decline in levels of overtime working is expected in most manufacturing sectors for the second quarter - suggesting that firms are likely to increase overtime before recruiting staff.

At the regional level Aberdeen reported a net increase in manufacturing employment in contrast to the declines reported elsewhere. Dundee, followed by Aberdeen, reported the best figures for Construction employment. In contrast Construction employment trends remain depressed and negative in both Glasgow and Edinburgh, although both areas expect an improvement in the second quarter.

In the service sector Glasgow and Dundee retailers expect upward trends in employment levels for the second quarter, and Aberdeen and Edinburgh expect a further slowing down in the rate of decline in retail employment. Within the Retail sector the trends in part time and temporary employment continue to outperform full time employment.

A sharp upward trend in employment is expected in the Tourism/Leisure sector, reflecting seasonal factors. Part time and temporary employment trends again outperform the trend for full time employment. In contrast employment trends in Finance remain on a strongly downward trend.

In most sectors temporary, part time and sub contracted employment continues to be affected less than full time employment. Uncertainty as to the extent and duration of any recovery may prompt firms to develop these areas of employment rather than the traditional permanent and full time employment.

A seasonally based improvement in employment levels is expected only in Tourism/Leisure for the second quarter. All other sectors expect a further decline in employment levels, confirming the view that, as yet, there are no signs of any sustained or general improvement in employment levels. On the present trends little improvement is likely for 1993.

Table 8 indicates a slight increase in the percentage of firms seeking to recruit staff during the first quarter of 1993. However, the percentage seeking to recruit is largely unchanged from the figures reported in the first quarter of 1992 and remain well below those for the first quarter of 1991.

Table 9 illustrates the general slackness in the labour market with relatively few firms reporting increased difficulties in recruiting staff. However, in Manufacturing 23% of firms recruiting reported difficulties in recruiting suitable skilled manual and 22% similar problems in recruiting technical staffs. At the regional level, 36% of Aberdeen and the Highlands Manufacturing respondents reported difficulties in the recruitment of skilled manual, in Glasgow 17% and in Edinburgh 12%.

Aberdeen and Edinburgh Construction respondents reported the greatest difficulties in the recruitment of suitable skilled manual staffs. In Retail recruitment difficulties were most frequently reported by Glasgow and Edinburgh respondents.

The seasonal demand in Tourism/Leisure has contributed to a significant increase in recruitment difficulties. Problems in recruiting skilled manual were widely reported by Tourism/Leisure respondents in Aberdeen and the Highlands, Dundee and Edinburgh, Lothians and the Borders. Once again the existence of such shortages poses questions as to the adequacy of current training provisions.

Wage/salary increases in all sectors were below 5%. The average increase continued to fall in all sectors, apart from Manufacturing, where a slight increase was recorded.

As Table 10 indicates the average increase has fallen over the past year by nearly 4% in Construction, 3% in Wholesale, 1.7% in Finance, 1.4% in Tourism/leisure, 1% in Manufacturing and 0.8% in Retail. There is some evidence that the rate of decline in the average wage/salary increase is slowing down.

Within Manufacturing the average increase ranged from 3% to over 8%. Increases between 3% and 4% were recorded by metal manufacture, textiles and printing. Average increase between 4% and 5% were recorded in the chemicals, electronics, food/drink and tobacco industries.

At the regional level the average increase in Manufacturing ranged from 3.1% in Fife to 5.6% in Aberdeen and the Highlands. In Construction increases ranged from 3.3% in Dundee to 5.3% in Aberdeen. Average increases in Retail ranged from 3% in Edinburgh to 5.7% in Aberdeen. Not unsurprisingly, less variation in average increases was reported in the Finance sector.

TABLE 1 EMPLOYEES IN EMPLOYMENT IN SCOTLAND: INDUSTRY AGGREGATES ('000s)
(Figures in square brackets reflect the 1989 and 1990 LFS. The latest estimates reflect the impact of the 1991 LFS.)

SIC 1980		MALE		FEMALE		TOTAL	Prod/Const	Production	Manuf.	Services
		All	P/T	All	P/T		1-5	1-4	2-4	6-9
1979	Jun	(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]
	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]		[930]	[395]	[1,957]	[591]	[457]	[397]	[1,337]
	Jun	[1,031]		[942]	[406]	[1,974]	[591]	[458]	[398]	[1,353]
	Sep	[1,040] 1,043		[943] 943	[406] 404	[1,983] 1,986	[597] 594	[465] 464	[405] 405	[1,356] 1,362
	Dec	[1,034] 1,043		[946] 949	[417] 416	[1,980] 1,992	[591] 589	[462] 462	[401] 403	[1,362] 1,376
1991	Mar	[1,021] 1,035		[936] 941	[412] 413	[1,956] 1,978	[573] 571	[449] 450	[388] 391	[1,356] 1,377
	Jun	[1,015] 1,031	106	[944] 953	[414] 417	[1,959] 1,984	[562] 561	[443] 444	[383] 385	[1,368] 1,394
	Sep	[1,011] 1,026	103	[947] 954	[418] 414	[1,958] 1,984	[560] 567	[443] 444	[383] 385	[1,370] 1,394
	Dec	1,026	105	952	416	1,978	543	434	376	1,416
1992	Mar	1,020	112	955	418	1,975	535	430	373	1,411
	Jun	1,023	123	956	419	1,979	528	425	368	1,424
	Sep	1,008	119	948	416	1,956	519	418	361	1,410
	Dec	993	95	971	436	1,963	520	405	348	1,418

Source: Department of Employment Gazette

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

SIC 1980		Agric./ forestry/ fishing	Energy & Water	Metal Man. & chemicals	Metal goods, Eng. & vehicles	Other Man.	Const.	Distribution Hotels & Catering: repairs	T'sport & Comm.	Banking, insurance & finance	Public admin, education & other services
		0	1	2	3	4	5	6	7	8	91-92
1979		48	72	82	258	265	155	[391]	135	123	[573]
1989	Jun	[29]	[58]	[47]	[166]	[202]	[125]	[385]	[116]	[174]	[656]
	Sep	[30]	[59]	[48]	[168]	[207]	[124]	[387]	[116]	[176]	[664]
	Dec	[28]	[60]	[49]	[169]	[206]	[122]	[384]	[116]	[177]	[676]
1990	Mar	[28]	[61]	[49]	[168]	[203]	[121]	[374]	[117]	[179]	[678]
	Jun	[30]	[61]	[47]	[170]	[207]	[120]	[387]	[115]	[180]	[683]
	Sep	[30] 29	[63] 59	[47] 43	[172] 167	[212] 195	[120] 130	[392] 416	[115] 113	[182] 195	[685] 639
	Dec	[27] 27	[61] 59	[44] 41	[169] 164	[189] 197	[129] 127	[412] 417	[108] 112	[184] 196	[657] 652
1991	Mar	[28] 28	[61] 60	[43] 39	[165] 158	[181] 193	[123] 121	[404] 410	[106] 110	[189] 205	[657] 654
	Jun	[29] 28	[60] 59	[42] 38	[161] 153	[180] 194	[120] 117	[408] 415	[107] 111	[187] 205	[665] 662
	Sep	[29] 28	[60] 59	[42] 38	[161] 153	[180] 194	[116] 114	[408] 415	[108] 112	[182] 203	[673] 664
	Dec	28	58	38	155	184	109	418	111	213	664
1992	Mar	28	58	37	153	183	105	411	110	217	673
	Jun	27	57	36	147	185	103	419	109	223	672
	Sep	28	57	35	143	182	101	416	107	220	667
	Dec	26	57	36	147	165	115	417	111	208	682

* Figures in parentheses reflect estimates based on 1987 census and 1989 LFS. The more recent estimates are based on the 1989 census and the preliminary results of the 1990 LFS.

Source: Department of Employment Gazette

TABLE 3 UNFILLED VACANCIES AT JOBCENTRES - SCOTLAND ('000s)

	Seasonally adjusted			Vacancies at Job Centres	
	Number	Change since previous month	Average change over 3 months ending	Unadjusted Total	Unadjusted
1989 Jan	20.0	-0.3	-0.1	17.0	0.5
May	20.5	0.2	0.2	21.5	0.7
Jun	21.8	0.0	0.7	23.3	1.0
Jul	21.8	0.0	0.5	23.1	0.9
Aug	22.1	0.3	0.5	22.7	0.9
Sep	22.6	0.5	0.3	24.5	1.0
Oct	23.4	0.8	0.5	25.2	0.8
Nov	24.7	1.3	0.9	25.3	0.9
Dec	23.4	-1.3	0.3	21.9	1.1
1990 Jan	22.8	-0.3	-0.1	19.8	1.1
Feb	22.3	-0.5	-0.7	19.2	1.0
Mar	22.3	0.0	-0.3	20.5	1.2
Apr	23.0	0.7	0.1	22.9	1.5
May	22.7	-0.3	0.1	23.6	1.3
Jun	22.4	-0.3	0.0	23.8	1.4
Jul	22.2	-0.2	-0.3	23.3	1.2
Aug	22.4	0.2	0.1	23.2	1.1
Sep	22.4	0.0	0.0	24.5	1.1
Oct	21.8	-0.2	-0.2	24.0	0.9
Nov	18.7	-3.1	-1.3	19.4	0.9
Dec	16.6	-2.0	-1.8	15.2	0.6
1991 Jan	19.1	2.5	-0.9	15.6	0.7
Feb	22.6	3.6	1.3	19.8	0.6
Mar	23.9	1.3	2.4	21.8	0.6
Apr	19.3	-4.6	0.1	19.4	0.7
May	17.7	-1.6	-1.6	18.5	0.8
Jun	17.2	-0.5	-2.1	18.8	0.9
Jul	16.2	-1.1	-1.1	17.1	0.8
Aug	15.6	-0.6	-0.7	16.3	0.7
Sep	15.9	0.3	-0.5	18.6	0.6
Oct	17.0	0.5	0.2	19.6	0.6
Nov	17.4	0.4	0.5	18.2	0.6
Dec	17.5	0.1	0.3	15.9	0.4
1992 Jan	17.8	0.3	0.3	14.4	0.5
Feb	18.6	0.8	0.4	15.8	0.4
Mar	18.5	-0.1	0.6	16.9	0.6
Apr	19.5	1.0	0.6	20.1	0.5
May	19.7	0.2	0.4	20.7	0.6
Jun	19.2	-0.5	0.2	20.9	0.7
Jul	18.1	-1.1	-0.5	18.4	0.7
Aug	17.6	-0.5	-0.7	17.8	0.5
Sep	16.8	-0.8	-0.8	18.9	0.5
Oct	17.2	0.4	-0.3	19.8	0.5
Nov	18.4	1.2	0.3	19.2	0.5
Dec	18.0	-0.4	0.4	16.4	0.4
1993 Jan	17.5	-0.5	0.1	14.0	0.3
Feb	20.0	2.5	0.5	17.2	0.3
Mar	20.1	0.2	0.7	18.5	0.5

Source: Department of Employment Press Notice

Note: Figures from October reflect the revised basis of seasonal adjustment from November 1992

TABLE 4: VACANCY FLOWS AT JOBCENTRES, STANDARDISED, SEASONALLY ADJUSTED - SCOTLAND						
	In-flow		Out-flow		Thousands of which: Placings	
Date	Level	Average change 3 months ended	Level	Average change 3 months ended	Level	Average change 3 months ended
1989 Apr	21.3	0.3	20.9	0.1	17.6	0.0
May	21.4	-0.2	20.9	-0.5	17.7	-0.5
Jun	21.9	0.3	20.1	-0.4	17.1	-0.3
Jul	22.1	0.3	22.0	0.4	18.5	0.3
Aug	23.1	0.6	22.8	0.6	19.2	0.5
Sep	22.6	0.2	22.2	0.7	18.6	0.5
Oct	24.1	0.7	23.4	0.5	19.8	0.4
Nov	24.6	0.5	23.4	0.2	19.7	0.2
Dec	22.1	-0.2	22.6	0.1	19.1	0.2
1990 Jan	20.1	-1.2	21.2	-0.6	17.9	-0.5
Feb	22.7	-0.4	23.4	0.1	19.4	0.0
Mar	22.3	0.1	22.3	0.0	18.5	-0.1
Apr	22.4	0.8	22.2	0.3	18.4	0.2
May	22.5	0.1	22.3	-0.4	18.4	-0.3
Jun	21.6	-0.2	1.9	-0.1	18.1	-0.1
Jul	23.5	0.4	23.5	0.4	19.7	0.4
Aug	23.2	0.2	22.8	0.2	18.8	0.1
Sep	22.9	0.4	22.9	0.3	18.6	0.2
Oct	22.4	-0.4	22.9	-0.1	18.7	-0.2
Nov	21.9	-0.4	25.8	1.0	20.6	0.6
Dec	21.1	-0.3	21.8	-0.3	17.6	-0.3
1991 Jan	21.9	-0.1	20.5	-0.8	16.6	-0.7
Feb	22.5	0.2	18.7	-2.4	15.2	-1.8
Mar	21.9	0.2	20.8	-0.3	17.4	-0.1
Apr	22.3	0.1	25.8	1.8	21.6	1.7
May	22.4	0.0	26.0	2.4	21.6	2.1
Jun	20.1	-0.6	20.3	-0.2	16.7	-0.2
Jul	20.0	-0.8	20.7	-1.7	16.9	-1.6
Aug	19.5	-1.0	20.0	-2.0	16.4	-1.7
Sep	20.6	0.2	20.4	0.0	16.8	0.0
Oct	23.0	0.9	21.6	0.2	18.0	0.3
Nov	19.9	0.0	19.7	-0.2	15.7	-0.4
Dec	21.2	0.2	20.6	0.2	17.3	0.2
1992 Jan	20.3	-0.9	20.7	-0.3	17.4	-0.2
Feb	20.3	0.1	19.9	-0.1	16.3	0.2
Mar	21.7	0.2	21.9	0.4	18.3	0.3
Apr	21.4	0.4	21.2	0.2	17.7	0.1
May	21.4	0.4	21.3	0.5	17.8	0.5
Jun	22.1	0.1	22.4	0.2	18.3	0.0
Jul	19.8	-0.5	20.7	-0.2	16.7	-0.3
Aug	20.2	-0.4	20.5	-0.3	16.6	-0.4
Sep	20.9	-0.4	21.6	-0.3	17.8	-0.2
Oct	21.5	0.6	20.1	-0.2	16.9	0.1
Nov	21.1	0.3	30.2	-0.1	16.7	0.0
Dec	22.3	0.5	22.3	0.2	19.0	0.4
1993 Jan	22.3	0.3	23.1	1.0	19.1	0.7
Feb	21.6	0.2	19.1	-0.4	17.1	0.1
Mar	22.5	0.1	22.5	0.1	18.2	-0.3

Source: Department of Employment

Note: Figures from October reflect the revised basis of seasonal adjustment from November 1992

TABLE 5: SCOTLAND - UNEMPLOYMENT - SEASONALLY ADJUSTED (excluding school leavers ('000s) (figures in parentheses reflect estimates on September 1988 basis - see text for details)						
Date	Male	Female	Total	Change since previous month	Average change over 6 months ending	Unemp. rate % of working population
1985	243.6	109.3	353.0			14.2
1986	248.1	111.8	359.8			14.5
1987	214.5	87.8	302.3	2.8	-4.1	12.2
1988 Dec	186.7	73.5	260.2	-6.3	-3.3	10.5
1989 Apr	175.1	68.2	243.3	-7.2	-4.5	9.7
May	172.8	66.7	239.5	-3.8	-4.5	9.7
Jun	170.0	65.0	235.0	-4.5	-4.2	9.4
Jul	168.9	63.9	232.8	-2.2	-4.0	9.4
Aug	167.7	63.3	231.0	-1.8	-3.7	9.3
Sep	163.0	61.8	224.8	-6.2	-4.3	9.1
Oct	159.2	60.4	219.6	-5.2	-4.0	8.8
Nov	155.8	59.0	214.8	-4.8	-4.1	8.6
Dec	153.0	57.5	210.5	-4.3	-4.1	8.5
1990 Jan	151.1	56.8	207.9	-3.3	-3.8	8.3
Feb	150.8	56.2	207.0	-0.9	-3.6	8.2
Mar	149.6	55.4	205.0	-2.0	-3.1	8.2
Apr	148.5	55.3	203.8	-1.2	-2.6	8.1
May	147.1	54.3	201.3	-2.4	-2.2	8.0
Jun	147.0	54.1	201.1	-0.3	-1.7	8.0
Jul	147.9	53.6	201.5	0.4	-1.1	8.0
Aug	147.6	52.8	200.4	-1.1	-1.1	8.0
Sep	147.6	51.6	199.2	-1.2	-1.0	7.9
Oct	146.9	51.0	197.9	-1.3	-1.0	7.9
Nov	147.8	50.8	198.6	0.7	-0.5	7.9
Dec	149.6	51.2	200.8	2.2	-0.1	8.0
1991 Jan	150.3	51.2	201.5	0.7	0.0	8.1
Feb	153.0	51.7	204.7	3.2	0.7	8.2
Mar	157.0	52.3	209.3	4.6	1.7	8.4
Apr	160.4	54.0	214.4	4.8	2.6	8.5
May	163.9	55.2	219.8	4.7	3.3	8.7
Jun	166.5	55.4	221.9	2.8	3.3	8.8
Jul	169.4	56.2	225.6	3.7	3.8	8.9
Aug	170.9	56.1	227.0	1.4	3.5	9.0
Sep	170.4	55.3	225.7	-1.3	2.7	9.0
Oct	171.0	54.7	225.7	0.0	1.9	9.0
Nov	172.6	54.5	227.1	1.2	1.3	9.0
Dec	173.6	54.3	227.9	1.4	0.9	9.0
1992 Jan	176.0	54.9	230.9	3.0	0.9	9.2
Feb	176.2	55.3	231.5	0.6	0.9	9.2
Mar	175.5	55.8	231.3	-0.2	0.9	9.2
Apr	177.7	56.2	233.9	2.6	1.4	9.3
May	179.1	56.1	235.2	1.3	1.4	9.3
Jun	180.1	56.4	236.5	1.3	1.4	9.4
Jul	183.1	57.2	240.3	3.8	1.6	9.5
Aug	185.9	56.9	242.8	2.5	1.9	9.6
Sep	186.8	56.7	243.4	0.7	2.0	9.7
Oct	188.0	56.5	244.5	1.0	1.8	9.7
Nov	189.4	56.6	246.0	1.5	1.8	9.8
Dec	192.4	57.1	249.5	3.5	2.2	9.9
1993 Jan	192.9	57.1	250.0	-0.2	1.6	9.9
Feb	190.7	56.9	247.6	-1.9	0.7	9.8
Mar	188.3	56.1	244.4	-3.2	0.3	9.6

Source: Department of Employment

TABLE 6: UNEMPLOYMENT FLOWS - STANDARDISED, UNADJUSTED: SCOTLAND ('000s)		
Month ending	In-flow	Out-flow
1989 Apr	30.5	38.9
May	27.3	38.6
Jun	27.9	35.5
Jul	37.1	33.5
Aug	30.9	33.5
Sep	33.0	41.6
Oct	31.9	38.2
Nov	31.5	34.2
Dec	27.8	26.8
1990 Jan	29.7	22.9
Feb	31.9	35.7
Mar	29.5	35.5
Apr	29.7	33.3
May	25.8	35.9
Jun	29.1	31.5
Jul	38.5	30.2
Aug	29.9	30.5
Sep	32.5	37.6
Oct	33.0	35.3
Nov	34.1	31.1
Dec	31.6	25.3
1991 Jan	31.3	20.8
Feb	34.0	32.9
Mar	32.9	31.6
Apr	33.8	31.8
May	30.9	32.7
Jun	31.0	30.9
Jul	44.4	30.5
Aug	32.8	30.9
Sep	33.9	41.0
Oct	34.6	36.3
Nov	34.8	32.1
Dec	32.5	26.9
1992 Jan	34.2	20.6
Feb	33.7	35.1
Mar	31.8	34.2
Apr	33.5	33.1
May	30.4	34.6
Jun	32.9	34.4
Jul	48.9	33.3
Aug	35.4	32.9
Sep	37.1	46.0
Oct	38.7	39.8
Nov	38.2	35.6
Dec	34.0	26.3
1993 Jan	36.4	26.7
Feb	34.1	38.1
Mar	31.3	38.2

Source: Department of Employment

TABLE 7 TRENDS IN TOTAL EMPLOYMENT [NET BALANCES OF RESPONSES]

	1/92	2/92	3/92	4/92	1/93
Manufacturing	-16%	-7%	-9%	-18%	-12%
Construction	-31%	-23%	-34%	-29%	-20%
Wholesale	- 5%	-10%	-9%	-11%	-17%
Retail	-11%	-5%	-14%	- 7%	-10%
Tourism/leisure	-27%	+3%	-14%	-25%	-17%
Finance	-46%	-24%	-38%	-44%	-42%

TABLE 8 PERCENTAGE OF FIRMS RECRUITING EMPLOYEES

	1/92	2/92	3/92	4/92	1/93
Manufacturing	44%	45%	44%	39%	40%
Construction	35%	32%	31%	34%	40%
Wholesale	43%	36%	35%	28%	35%
Retail	36%	49%	39%	42%	36%
Tourism/leisure	53%	72%	54%	45%	46%
Finance	26%	22%	13%	22%	15%

TABLE 9 PERCENTAGE OF FIRMS REPORTING INCREASED DIFFICULTIES IN RECRUITING STAFF

	1/92	2/92	3/92	4/92	1/93
Manufacturing	10%	9%	12%	9%	10%
Construction	14%	18%	14%	11%	8%
Wholesale	5%	4%	5%	7%	7%
Retail	11%	16%	10%	5%	11%
Tourism/leisure	12%	15%	23%	17%	25%
Finance	2%	1%	0%	0%	0%

TABLE 10 WAGE AND SALARY INCREASES

	1/92	2/92	3/92	4/92	1/93
Manufacturing	5.5%	5.3%	5.3%	4.3%	4.5%
Construction	7.6%	5.0%	5.0%	3.8%	3.7%
Wholesale	7.0%	5.7%	5.7%	5.3%	4.0%
Retail	5.3%	5.5%	5.5%	7.1%	4.5%
Tourism/leisure	4.9%	5.4%	5.4%	4.1%	3.5%
Finance	4.1%	3.8%	3.8%	5.3%	2.4%

REGIONAL REVIEW

INTRODUCTION

In April 1993, Scottish unemployment declined by 602 to stand at 250,060 on an adjusted basis. This constitutes 9.9% of the Scottish workforce and the reduction represents a monthly fall of 0.2%. Male unemployment fell by 749 or by 0.4% whilst female jobless grew by 147 or by 0.3%. The male unemployment is presently 13.4% and the female rate 5.6%.

The Scottish jobless count tends to fall in april due to seasonal factors. However, when the counts are adjusted for seasonality, Scottish unemployment is estimated to have increased by 0.1% or by 200. This is accounted for by a decrease in male jobs of 200 or 0.1% offset by a 400 rise (0.4%) in the female count. The adjusted Scottish performance compares unfavourably with the British position. British unemployment declined by 6000 in april 1993 which comprises a 3,100 fall in male jobless (-0.1%) offset by a 2,500 increase in female unemployed (0.7%). Scotland's poorer underlying performance is due to a strong unseasonal rise in the female count.

At present, the Scottish unemployment rate stands at 9.6% on an adjusted basis which constitutes 92.3% of the British rate of 10.4%. The favourable position of Scotland is maintained for both males and females. In April 1993, Scottish male unemployed totalled 188,200 or 13.1% of the workforce. The British male unemployment rate currently stands at 14.0%. Similarly, Scottish female jobless currently stands at 56,500 or 5.1% of the Scottish female workforce which compares favourably with the 5.6% female rate across GB.

In the quarter to April 1993, seasonally adjusted unemployment in Scotland fell by 4,800, or 1.9%. On an unadjusted basis, Scottish unemployment fell by 10,697 or 4.1%. Thus, the recorded fall in Scottish jobless over the present quarter has been sharper than would have been expected due to seasonal influences. In addition, the Scottish decline of 1.9% is a stronger performance than in Britain, as a whole where seasonally adjusted jobless declined by 51,200 or by 1.8%. Over this quarter, Scotland's better position is solely due to a sharp 2.2% decline in male unemployed which outstrips the 1.9% fall recorded in GB. In both Scotland and GB, female unemployment fell in the quarter to April. However, in Britain female unemployment decreased by 1.3% compared with a fall of 0.9% north of the border. Thus, in the current quarter, Scotland's unemployment performance continues to better that of great Britain.

In the 12 months to April 1993, Scottish seasonally adjusted unemployment rose by 10,900 or by 4.7%. The unadjusted count increased by 12,163 or by 5.1%. In GB, the seasonally adjusted total rose by 248,600 or by 9.6% and the unadjusted count by 263,076 or 10%. The unemployment consequences of the present recession continue to affect Scotland less than elsewhere.

Figure 1 presents the Scottish and British unemployment rate for the period 1975-93. Until the Spring of 1992, the Scottish unemployment rate has been above the British average since records started in the 1920s. The unexpected falls in Scottish and British jobless over the previous quarter have reinforced the relative improvement in Scottish unemployment. We continue to project both a decline in employment and modest rise in unemployment in 1993. In the medium term, we expect the South to benefit most from the upswing and for these favourable relatives to abate.

Unemployment in the British regions

In this section, we consider the disparate fortunes of British Regional labour markets across the present recession with reference to the trend in seasonally adjusted unemployment and vacancies.

Our discussion proceeds on the basis of 3 artificially constructed GB regions. The **South of England** (STH) comprises London, the South East, South West and East Anglia. **Midlands and Wales** (M&W) consists of East and West Midlands plus Wales whilst the **North of England** (NTH) encompasses Yorkshire and Humberside, the North West and Northern Region. These definitions are utilised in Tables 2-4 and 6 and in Figures 2 and 3.

Figures 2 sets out the trend in seasonally adjusted unemployment for Scotland, Britain and the 3 constructed regions. Unemployment is indexed with a base at January 1989. Figure 2 illustrates that the recession has bitten earlier and most severely the further south one looks.

The seasonally adjusted unemployment series for the British regions has recently been revised. The new figures indicate that the numbers of British jobless bottomed out in April 1990 at 1,495,700 at which point the workforce base rate stood at 5.4%. In the period to April 1993, British unemployment increased by 1,338,200 to stand at 2,833,900 which constitutes 10.5% of the workforce. The regional changes across GB over the present recession are as follows:

Total unemployment change - April 1990-April 1993

	change	%
South of England	782,200	166.4
Midlands & Wales	276,700	85.2
North of England	238,500	47.2
Scotland	41,000	20.4
GB	1,338,200	89.1

Males unemployment change April 1990-April 1993

	change	%
South of England	607,100	178.7
Midlands & Wales	227,900	95.9
North of England	206,100	54.5
Scotland	39,500	26.9
GB	1,080,600	98.0

The South of England has accounted for 58.4% of the rise in British jobless in the period April 1990-1993. Midlands and Wales and the North of England are responsible for shares of 20.7% and 17.8% respectively. Scotland has contributed 3.1% of the rise in the GB jobless count across the present recession.

This regional pattern is maintained for both sexes. The number of British male jobless increased by 1,080,600 to stand at 2,174,700 in April 1993. This represents a workforce rate of 14.0% which is above the 13.1% posted in Scotland. The regional distribution of male unemployment change is set out below.

The number of British female unemployed increased from 401,600 in April 1990 to 659,200 in April 1993. The regional variation in the rise of female jobless across the recession is as follows:

Female unemployment change - April 1990-April 1993

	change	%
South of England	175,100	134.2
Midlands & Wales	48,800	55.9
North of England	32,400	25.4
Scotland	1,500	2.8
GB	257,600	64.6

Male unemployment has increased more sharply than female in all regions. This in part reflects the 'discouraged worker effect' in that a larger proportion of females who lose their jobs are not eligible to claim benefit and thus do not appear in the unemployed count. For both sexes, the rise in unemployment is greatest the further south one looks.

As a result of this disparate performance, the unemployment rate differential between 'north' and 'south' has narrowed considerably. Figure 4 and Table 4 sets out regional unemployment rates as a proportion of the British rate for the January 1989 to 1993 period. This figure illustrates the marked convergence of regional unemployment rates across the present recession due to rates rising faster in the south compared to Scotland and the North. The relative positions are set out below.

In April 1990, the seasonally adjusted unemployment rate in the South of England was 65.5% of the British equivalent. This differential has narrowed considerably across the recession to stand at 97.1% in April 1993. In Midlands and Wales, the unemployment rate has risen broadly in line with the British average resulting in a fairly static relative position. In the North of England, the relative unemployment rate has fallen markedly from 134.6% in April 1990 to 105.8% in April 1993.

The improvement in Scotland's relative position is even more dramatic than that of the North. In April 1990 the Scottish unemployment rate was 1.49 times the British average. By April 1993, the

Scottish rate represented only 0.923 times the British average. Thus, due to weakly rising unemployment, Scotland has performed relatively well across the current recession.

Relative unemployment position

	Apr 1990	Apr 1991	Apr 1992	Apr 1993
STH	65.5	87.5	95.7	97.1
M&W	101.8	106.9	104.3	101.0
NTH	134.6	125.0	111.9	105.8
Scot	149.1	122.1	98.9	92.3
GB	100.0	100.0	100.0	100.0

The level of unfilled vacancies has also held up well in Scotland and to a lesser extent in Midlands and Wales and the North of England. In April 1993, Scottish vacancies stood at 78.9% of the January 1990 stock compared with 61.8% in GB. In the previous quarter British vacancies increased by 20,500 or 20.6% compared with a 4.6% rise in Scotland. The sharpest quarterly rises were posted in Midlands and Wales (33.5%) and the north of England (25.7%). Despite this, the present level of Scottish vacancies remains stronger relative to other regions. In particular, unfilled vacancies in the South of England constitute 52.6% of the January 1990 level. However, it should be noted that Scotland exhibited the slowest increase in unfilled vacancies of all identified areas across the quarter to April 1993.

Figure 4 presents the trend in the 'U/V' ratio for Scotland and Britain for the period since January 1989. The 'U/V' ratio measures the number of unemployed chasing each vacancy. This ratio is a standard indicator of the tightness of the labour market. Below, we show that since mid 1990 the numbers of jobless pursuing each vacancy in Scotland has been below those evident in GB. The regional distribution of 'U/V' ratios across the present recession is as set out below.

In the South of England, the 'U/V' ratio has increased sharply over the recession. In April 1990, the 'U/V' ratio in the South of England was 74.4% of the British average. By April 1993, the position in the South had deteriorated to 1.2 times the GB level. At present there are 28.2 unemployed chasing each vacancy in the South.

Although some moderation is evident since the turn

'U/V' ratio 1990-1993

	Apr 1990	Apr 1991	Apr 1992	Apr 1993
STH	5.8	18.0	25.9	28.2
M&W	7.9	18.7	22.8	22.2
NTH	10.5	19.4	25.3	24.2
Scot	9.0	11.3	12.0	13.4
GB	7.8	17.8	22.7	23.6

of the year, the present 'U/V' ratio in the South are at levels not experienced since records began in 1980. The situation in the Midlands and Wales is slightly better with the 'U/V' ratio rising from 7.9 to 32 in October 1992 before moderating to 22.2 at present. However, since the autumn of 1991, the U/V ratio in M&W has been below that of the South. In Scotland and the North of England 'U/V' ratios have been rising less sharply than further south. In April 1990, the ratio in the North of England stood at 1.35 times the GB average. By April 1993, this had fallen to 1.025%.

In Scotland, the 'U/V' ratio rose from 9.0 vacancies per jobless in April 1990 to 13.4 in April 1993. This represents a fall from 1.15 times the GB average to 0.567% across this period. This emphasises the relatively strong position of Scotland relative to Great Britain and illustrates the **comparative** buoyancy of Scottish labour markets.

Time series analysis

In the previous section, we analysed Scottish, GB and regional unemployment rate increased from 9.4% to 9.9%. In Britain unemployment rose by 263,076 or by 10.0% and the jobless rate advanced from 9.6% to 10.6%. As noted previously, the Scottish rate stands clearly below the corresponding British measure.

Male unemployment in Scotland rose by 11,242 or by 6.2% in the year to April 1993. This compares favourably with a 10.1% rise evident in GB. In Britain, male unemployment increased by 203,891 to stand at 2,222,986. In the year to April, Scottish female unemployment rose 921 or by 1.6% which is modest when set against the 9.7% increase recorded in Britain as a whole. In this period, British female jobless increased by 59,185 to stand at 672,189. In April 1993, the Scottish male rate stood at 13.4% and the female rate at 5.2%. The Scottish male rate is below the 14.3% rate in Britain whilst the female rate is lower than the

5.7% posted nationally.

In the current quarter, total Scottish unemployment decreased by 10,697 or by 4.1%. The British jobless count fell by 58,881 or by 2.0%. Male unemployment fell by 9,055 (-4.5%) in Scotland and by 47,533 (-2.1%) in GB. Female unemployed likewise declined in both Scotland and nationally. Female jobless decreased by 1,642 (-2.8%) compared with a fall of 11,348 (-1.7%) in GB. Thus, on an unadjusted basis, Scotland experienced a good quarter relative to GB. The quarterly declines in both male and female Scottish jobless are sharper than in any of the 3 constructed regions.

In terms of seasonally adjusted unemployment, the quarterly fall in male jobless is 4,300 or -2.2%. This compares favourably with a 1.9% (-42,200) decline evident in GB. In the current quarter, Scottish seasonally adjusted male unemployment contracted more sharply than in all the GB regions excepting Midlands and Wales where the quarterly decline was 12,000 or 2.6%. The Scottish female count is projected to have fallen by 500 or 0.9%. This is a weaker fall than posted in Britain where the quarterly decline is estimated to be 9,000 (-1.3%) in the previous quarter. Only in the South of England, is the quarterly female jobless fall less sharp than in Scotland.

Thus, in the previous quarter, total seasonally adjusted unemployment fell by 4,800 or 1.9%. In this period British jobless declined by 51,200 or 1.8%. The quarterly fall in Scotland is sharper than in Britain and all of the regions excepting Midlands and Wales. In the previous quarter the welcome but surprising falls in jobless were due to a sharp quarterly decrease in the male count. Scotland continues to outperform the rest of the country in terms of unemployment change.

Unemployment in the Scottish regions

Table 2 sets out total unemployment and related statistics for Scotland, its regions and islands, GB and its broad regions for the year to April 1993. Quarterly and monthly changes are also indicated although these require more careful interpretation and are best used to facilitate interregional comparisons.

The trend in Scottish regional unemployment is set out below with reference to an index based at January 1990. In addition, the change over the year to April 1993 is as follows:

Relative unemployment: April 1990-April 1993 - Persons

	Apr 1990= 100			% change
	Apr 91	Apr 92	Apr 93	Apr 92/93
Borders	117.9	140.6	140.6	0.0
Central	107.3	109.9	116.7	6.2
Dumfries & G/way	110.8	127.9	137.8	7.7
Grampian	100.1	119.5	138.3	16.6
Fife	106.7	120.4	132.7	10.2
H/land	101.0	117.5	157.0	33.6
Lothians	113.6	128.0	134.7	5.3
S/clyde	103.3	111.3	113.0	1.5
Tayside	107.9	116.6	120.7	3.5
Orkney Islands	96.1	103.1	107.6	4.4
Shetland Islands	90.5	94.4	112.7	19.5
Western Isles	107.9	117.8	122.4	3.9
Scotland	105.4	115.5	121.4	5.1

Examination of this data indicates that only Central, Strathclyde, Tayside, Orkney and Shetland have fared better than the Scottish average across the present recession. Initially, Grampian, Highland and the Northern Islands appeared more insulated from the general downturn through linkages to the buoyant North Sea sector and due to a strong trend in employment in Agriculture, Forestry and Fishing. In the year to April, Highlands (33.6%), Shetland (19.5%) and Grampian (16.6%) have experienced the sharpest rises in total unemployment. This suggests that the North Sea mini boom in exploration and development activity has come and gone presaging a more exacting time for Highland and Island labour markets.

The differential performance of the Scottish regions across the present recession has tended to promote convergence in regional unemployment rates. For the period, April 1990-April 1992, the regional unemployment rates as a percentage of the Scottish average are as set out below.

This data indicates, for example, that the total unemployment rate in Fife rose from 107.3% of the Scottish average in April 1990 to 118.2% in April 1993. All regions except Fife, Highlands, Orkney and Shetlands have unemployed rates closer to the Scottish average at present than at the start of the recession.

In general, there is some tendency for areas that were experiencing below average unemployment prior to the recession to suffer faster growth in unemployment. This promotes a convergence of Scottish regional unemployment rates around the rising Scottish average. In Scotland, unemployment has increased relatively slowly and LA regional rates have shown a clear but less marked tendency to converge upon the Scottish rate.

We continue to highlight the unfortunate position of Fife. Unemployment in the UK has increased by 32.7% across the recession. This is slower than in Borders (40.6%), Dumfries and Galloway (37.8%), Grampian (38.3%), Highland (57%) and Lothian (34.7%). However, Fife is unique in that it is the only Scottish region which exhibits the following features; (a) Prior to the recession the rate of unemployment was below the Scottish average. (b) During the recession the jobless total has increased faster than the national average. Except in Fife, the traditionally high unemployment regions have all fared well compared with Scotland and Great Britain.

Relative unemployment: April 1990-April 1993 Persons

	Apr 90	Apr 91	Apr 92	Apr 93
Borders	56.1	60.5	66.0	62.6
Central	104.9	107.0	101.1	102.0
Dumfries & G/way	79.3	81.4	85.1	87.9
Fife	107.3	108.1	112.8	118.2
Grampian	45.1	41.9	42.6	47.5
Highlands	91.5	87.2	89.4	113.1
Lothians	79.3	83.7	84.0	83.8
S/clyde	128.0	124.4	124.5	120.2
Tayside	92.7	94.2	94.7	92.9
Orkney Islands	254.9	50.0	48.9	48.5
Shetland Islands	47.6	40.7	36.2	40.4
Western Isles	125.6	124.4	116.0	114.1
Scotland	100.0	100.0	100.0	100.0

Unemployment in Strathclyde has increased by a modest 13.0% between April 1990 and 1992. When noting this it should be remembered that the Strathclyde unemployment rate of 13.4% remains substantially above the British average. Other counties, most notably in the south, have seen an extremely fast growth of joblessness and a closing of the differential with blackspots such as Strathclyde, Tyneside, Merseyside etc. It continues to be our view that the unemployment in the North is of a more structural nature whilst much of the increase elsewhere is cyclical. We shall return to such matters in our penultimate section.

In the year to April 1993, Scottish unemployment increased by 5.1%. Only Borders (0.0%), Strathclyde (1.5%), Tayside (3.5%), Western Isles (3.9%) and Orkney (4.4%). The sharpest annual increases have been experienced in Highlands (33.6%), Shetlands (19.5%) and Grampian (16.6%). These areas tended to do well in the early part of the recession but began to suffer once the North Sea exploration and development boom slackened off.

The south of Scotland fared particularly poorly in the first 2 years of recession. However, in the previous year, unemployment has stabilised in Borders but continues to increase rapidly in Dumfries and Galloway (7.7%).

This analysis demonstrates that the present recession has engendered a convergence of unemployment rates across Scotland. This mirrors the process taking place at the GB level. The unemployment shock in Strathclyde is particularly weak whilst the trend in Fife remains extremely worrying. Across the recession, Scotland's rural periphery has tended to experience the sharpest jobless growth. In the past year, sharp rises have been experienced in the oil based economies of Grampian, Highland and Shetlands. Clearly, this present recession has substantially altered the geography of unemployment in both Scotland and Great Britain.

VACANCY LEVELS

Table 5 sets our registered vacancies in the Scottish regions whilst **Table 6** presents the 'U/V ratio. In the year to April 1993, unfilled Scottish vacancies decreased by 1,144 or by 5.7%. However, the stock of vacancies actually rose in all regions except Western Isles (-47.5), Strathclyde (-19.9%) and Borders (-8.4%). The annual fall of 2,202 unfilled vacancies in Strathclyde region dominates the national position.

The sharpest increase in vacancies in the past year has been experienced in Orkney (62.1%), Central (46%) and shetlands (41.7%). However, the actual increases in these and other areas are small. In total, 9 Scottish counties accounted for rise of 1,140 unfilled vacancies. This was handsomely offset by the reduction of 2,284 evident in Strathclyde, Borders and Western Isles.

The regional change in unemployment and unfilled vacancies across the year to April is as follows:

Regional change in unemployment and vacancies: 1992/93

	% change U	% change V
Borders	0.6	- 8.4
Central	6.2	46.0
Dumfries & Galloway	7.7	11.7
Fife	10.2	15.6
Grampian	16.6	5.6
Highland	33.6	20.1
Lothians	5.3	1.6
Strathclyde	1.5	-19.9
Tayside	3.5	11.2
Orkney Islands	4.4	62.1
Shetland Islands	19.9	41.7
Western Isles	3.9	-47.5
	5.1	- 5.7

In Borders, Strathclyde and the Western Isles, there is some tendency for a moderate increase in unemployment to sit aside a sharp contraction in the levels of vacancies. In Fife, Highland, Grampian and Shetland, faster than average growth in joblessness has been attended by a sharp increase in vacancy stocks. This may reflect a structural mismatch between the loss of jobs in manufacturing, defence and oil and the pattern of vacancies.

Table 6 sets out the "U/V" ratio for both the British and Scottish regions for the 2 years to April 1993. The "U/V" ratio indicates the number of unemployed pursuing each vacancy. It is estimated that circa 30% of all vacancies appear in these statistics suggesting that the true ratios are likely to be smaller than those present in Table 6.

In April 1993, 13.2 unemployed Scots were pursuing each available vacancy. In April 1990 the Scottish ratio stood at 9.0 and the GB ratio at 8.04. By April 1993, the Scottish ratio had increased by 46% whilst the British ratio tripled to stand at 23.98. In April 1993, Scottish regions account for 7 of the 10 most favourable ratios from the 66 GB counties.

At the onset of recession in April 1990, 6 of the 12 Scottish regions exhibited "U/V" ratios above the British level of 8.04. By April 1993, only the Western Isles records a U/V ratio above the British average. In addition, the ranks of the Scottish counties have tumbled. In April 1990, Scottish regions accounted for 3 of the worst 10 GB country ratios. At the time, the average Scottish rank is estimated to be 52.3.

It should be noted that, in the past year, Scottish U/V ratio increased by 11.5% compared with a 3.9% increase posted in GB. Indeed, the ratio has declined in the Midland and Wales (-2.7%) and the North of England (-4.3%). This serves to remind us that Scottish labour markets continue to deteriorate but that the situation in Scotland remains less adverse than in GB and most parts therein.

Interregional variations

It is clear from the foregoing analysis that there are significant variations in the fortunes of Scottish regional labour markets. However, substantial diversity in performance exists within regional boundaries and this section seeks to examine these intra-regional disparities. We employ data relating to Travel to Work Areas (TTWAs) of which there are 57 on mainland Scotland plus 3 Islands. There are 322 British TTWAs.

Table 7 sets out unemployment in regional TTWAs for the period April 1992-1993. At present, Cumnock and Sanquhar constitutes the Scottish TTWA with the highest unemployment rate. This area is currently the second top British unemployment blackspot. The 12 British TTWAs with the highest unemployment rates are as follows:

GB TTWAs: April 1993

	Unemp rate	% GB
South Tyneside	19.4	183.0
Cumnock & Sanquhar	19.1	180.1
Hartlepool	17.7	167.0
Aberdare	17.0	160.4
Forres	16.7	157.5
Clacton	16.6	156.6
Thanet	16.4	154.7
Redruth & Camboume	16.2	152.8
Harwich	15.9	150.0
Holyhead	15.6	147.2
Liverpool	15.5	146.2
Middlesborough	15.4	145.3

Across the recession, the areas in Scotland's central belt have tumbled down the GB rankings. These have been replaced by areas in the South such as Clacton, Thanet, Redruth and Harwich which have all experienced extremely fast growth in unemployment.

In the Scottish context, the 12 areas with the highest Scottish unemployment rates are as follows

Scottish TTWAs: April 1993

	Unemp rate	% GB	GB rank
Cumnock/Sanquhar	19.1	180.2	2
Forres	16.7	157.5	5
Invergordon/ Dingwall	14.5	136.8	19
Irvine	14.4	135.8	20
Newton Stewart	13.6	128.3	32
Alloa	13.5	127.4	35
Lanarkshire	13.3	125.5	36
Greenock	13.2	124.5	38
Kirkcaldy	13.1	123.6	40
Kilmarnock	12.6	118.9	51
Girvan	12.6	118.9	52
Dunoon & Bute	12.1	114.2	68

These 12 TTWAs account for almost a quarter of Scottish unemployment. There are 24 Scottish TTWAs with unemployment rates above the British average. These account for two thirds of Scottish unemployed. Scotland continues to exhibit some of the best TTWAs. Aberdeen (3.7%) constitutes the British TTWA with the lowest unemployment rate. Shetland (4.0%)is second best in this respect. In total, Scotland has currently 6 TTWAs in the best 20 GB areas. The rural and peripheral Scottish TTWAs exhibit the sharpest increases in jobless both over the recession and in the last year. In the year to April 1993, Invergordon and Dingwall (53.9%), Inverness (44.2%), Forres (39.0%), Berwickshire (34.6%) and Lochaber (29.8%) are the Scottish TTWAs with the most marked rise in unemployment.

It should be noted that Forres is an area of higher unemployment which is experiencing further sharp rises in joblessness. This area is part of Grampian region which contains Aberdeen. Hence, it should be noted that, whilst the Grampian unemployment rate is lower than in any GB mainland county, the region contains one of the worst Scottish and national blackspots. This can be seen from the high-low calculations set out in Table 7.

The 12 Scottish TTWAs with the highest share of unemployed of over one year's duration are as follows:

Long term unemployment: April 1993

TTWA	% LTU	% GB	GB rank
Girvan	45.4	129.0	2
Cumnock/Sanquhar	44.9	125.5	3
Wick	40.2	114.3	10
Glasgow	40.2	114.3	11
Lanarkshire	39.6	112.7	16
Kilmarnock	38.9	110.6	21
Dundee	37.6	106.8	39
Western Isles	35.5	101.1	56
Greenock	35.3	100.3	61
Dunoon & Bute	34.8	98.9	67
Islay/Mid Argyll	34.6	98.3	71

Thus, in Girvan, 45.4% of the jobless queue have been idle for over 12 months. Because of the length and severity of the recession in Britain and the South, the position in Scotland has been approached by the rest of the country. In april 1990, Scotland accounted for 8 of the 10 worst TTWAs in terms of share of long term unemployed. Across the recession many Scottish areas have been overtaken and currently Scotland accounts for 3 of the worst 10 GB TTWAs. However, Scotland continues to present high concentrations of LTU and it should be noted that Scotland headed the rankings across the 1980s in this respect. Ultimately, the long term unemployment in Scottish TTWAs reflects a structural difficulty whilst in areas in the South the rising long term joblessness may well reflect prolonged cyclical effects which will moderate in due course.

CONCLUDING REMARKS

Over this current recession, the Fraser of Allander Institute has consistently projected that the Scottish economy would outperform the UK. The present recession has its roots most firmly planted the further south one examines. Employment in the South of England and the service sector has been particularly hard hit. Although the GB economy has bottomed out, we expect that employment growth will not commence for some time yet. However, when it does, we expect the most impressive performance to be recorded in the South.

In short, the convergence which we have patiently tracked these past 3 years will start to unravel. In particular, Scotland and the North will experience rising relative unemployment compared with the national position. It is with this in mind that we note that the criteria set out by the Department of trade and Industry to determine the next tranche of assisted areas is biased towards the South because of these cyclical factors.

Regional policy is a set of measures geared towards bringing work to the workers. The prospect of granting assisted area status to parts of the South East of England is preposterous. As we illustrate above certain TTWAs such as Clacton and Thanet are particularly distressed. However, they are part of an area destined to boom in the 1990s due to the Channel Tunnel and the proposed linear city along the River Thames. Whilst there is an argument for assistance to make unemployed in parts of the South more competitive in the wider labour market, there is no case for subsidising firms to locate in a part of Britain which will naturally experience fast growth in employment creation. The government should override its criteria and grant assisted status only to those areas in the South West, Scotland and the North where deficient labour demand is likely to be a more pressing problem across the coming decade.

TABLE 1: UNEMPLOYMENT TOTALS - UNADJUSTED TIME SERIES, SCOTLAND

Month	Unemployment rate*	Total	Monthly % change	Male	Monthly % Change	Female	Monthly % Change
1992 Apr	9.4	237,897	0.14	180,961	0.27	56,936	-0.28
May	9.2	233,128	-2.00	178,501	-1.36	54,627	-4.06
Jun	9.1	231,782	-0.58	177,073	-0.80	54,709	0.15
Jul	9.7	246,176	6.21	183,820	3.81	62,356	13.98
Aug	9.8	249,145	1.21	186,611	1.52	62,534	0.29
Sep	9.5	240,933	-3.30	184,223	-1.28	56,710	-9.31
Oct	9.5	239,920	-0.42	184,744	0.28	55,176	-2.70
Nov	9.6	242,870	1.23	187,478	1.48	55,392	0.39
Dec	9.9	251,774	3.67	195,085	4.06	56,689	2.34
1993 Jan	10.3	260,757	3.57	201,258	3.16	59,499	4.96
Feb	10.1	257,092	-1.41	197,517	-1.86	59,575	0.13
Mar	9.9	250,662	-2.50	192,952	-2.31	57,710	-3.13
Apr	9.9	250,060	-0.24	192,203	-0.39	57,857	0.25
Change across previous							
Month		12,163	5.1	11,242	6.2	921	1.6
Quarter		-10,697	-4.1	-9,055	-4.5	-1,642	-2.8
Year		- 602	-0.2	- 749	-0.4	147	0.3

Source: Department of Employment

TABLE 2: TOTAL UNEMPLOYMENT BY REGION: UNADJUSTED

	% rate Apr 1993		Total Apr 1993	Total Apr 1992	Annual Change		Total Jan 1993	Quarterly Change		Total Mar 1993	Monthly Change	
	Narrow	Wide			Total	%		Total	%		Total	%
Borders	7.5	6.2	3,015	3,015	0	0.0	3,316	-301	-9.1	3,090	-75	-2.4
Central	11.4	10.1	12,491	11,763	728	6.2	12,788	-297	-2.3	12,287	204	1.7
Dumfries & Galloway	10.7	8.7	6,129	5,689	440	7.7	6,473	-344	-5.3	6,154	-25	-0.4
Fife	13.3	11.7	16,847	15,293	1,554	10.2	17,619	-772	-4.4	16,808	39	0.2
Grampian	5.3	4.7	14,057	12,059	1,998	16.6	15,085	-1,028	-6.8	14,357	-300	-2.1
Highland	13.3	11.2	11,992	8,974	3,018	33.6	12,316	-324	-2.6	12,292	-300	-2.4
Lothian	9.2	8.3	34,679	32,939	1,740	5.3	35,867	-1,188	-3.3	34,675	4	0.0
Strathclyde	13.4	11.9	130,696	128,768	1,928	1.5	136,346	-5,650	-4.1	131,055	-359	-0.3
Tayside	10.6	9.2	17,526	16,936	590	3.5	18,001	-475	-2.6	17,337	189	1.1
Orkney Islands	6.7	4.8	494	473	21	4.4	510	-16	-3.1	513	-19	-3.7
Shetland Islands	4.8	4.0	522	437	85	19.5	470	52	11.1	469	53	11.3
Western Isles	14.5	11.3	1,612	1,551	61	3.9	1,966	-354	-18.0	1,625	-13	-0.8
Scotland	11.2	9.9	250,060	237,897	12,163	5.1	260,757	-10,697	-4.1	250,662	-601	-0.2
South of England	11.9	10.3	1,272,309	1,114,978	157,331	14.1	1,286,257	-14,948	-1.2	1,269,942	2,367	0.2
Midlands & Wales	12.3	10.7	612,767	564,764	48,003	8.5	629,214	-16,447	-2.6	613,887	-1,120	-0.2
North of England	12.8	11.3	760,039	714,460	45,579	6.4	776,828	-16,789	-2.2	756,218	3,821	0.5
GB	12.1	10.6	2,895,175	2,632,099	263,076	10.0	2,954,056	-58,881	-2.0	2,890,709	4,466	0.2
UK	12.2	10.7	3,000,511	2,736,521	263,990	9.6	3,062,065	-61,554	-2.0	2,996,725	3,786	0.1

Source: Department of Employment

TABLE 3: MALE UNEMPLOYMENT BY REGION: UNADJUSTED

	% rate Apr 1993		Total Apr 1993	Total Apr 1992	Annual Change		Total Jan 1993	Quarterly Change		Total Mar 1993	Monthly Change	
	Narrow	Wide			Total	%		Total	%		Total	%
Borders	10.8	8.1	2,203	2,141	62	2.9	2,489	-286	-11.5	2,300	-97	-4.2
Central	16.1	13.7	9,421	8,793	628	7.1	9,813	-392	-4.0	9,313	108	1.2
Dumfries & Galloway	13.9	10.3	4,348	4,089	259	6.3	4,583	-235	-5.1	4,430	-82	-1.9
Fife	18.2	15.3	12,721	11,293	1,428	12.6	13,374	-653	-4.9	12,765	-44	-0.3
Grampian	6.7	5.7	10,289	8,569	1,710	19.9	11,163	-874	-7.8	10,534	-245	-2.3
Highland	19.4	15.2	9,130	6,442	2,699	41.7	8,952	178	2.0	9,131	-1	-0.0
Lothian	13.8	11.8	26,793	25,371	1,422	5.6	27,720	-927	-3.3	26,837	-44	-0.2
Strathclyde	19.6	16.6	102,356	100,011	2,345	2.3	107,404	-5,048	-4.7	102,854	-498	-0.5
Tayside	14.9	12.2	12,973	12,407	566	4.6	13,513	-540	-4.0	12,836	137	1.1
Orkney Islands	8.8	5.7	348	348	0	0.0	354	-6	-1.7	359	-11	-3.1
Shetland Islands	6.2	4.8	376	303	73	24.1	337	39	11.6	343	33	9.6
Western Isles	21.0	14.6	1,245	1,184	61	5.2	1,556	-311	-20.0	1,250	-5	-0.4
Scotland	16.0	13.4	192,203	180,961	11,242	6.2	201,258	-9,055	-4.5	192,952	-749	-0.4
South of England	16.7	13.8	961,356	846,059	115,297	13.6	974,834	-13,478	-1.4	960,433	923	0.1
Midlands & Wales	17.3	14.3	473,639	434,962	38,677	8.9	486,434	-12,795	-2.6	474,724	-1,085	-0.2
North of England	18.6	15.6	595,788	557,113	38,675	6.9	607,993	-12,205	-2.0	593,108	2,680	0.5
GB	17.2	14.3	2,222,986	2,019,095	203,891	10.1	2,270,519	-47,533	-2.1	2,221,217	1,769	0.1
UK	17.4	14.4	2,304,246	2,100,063	204,183	9.7	2,353,826	-49,580	-2.1	2,303,186	1,060	0.0

Source: Department of Employment

TABLE 4: FEMALE UNEMPLOYMENT BY REGION: UNADJUSTED

	% rate Apr 1993		Total Apr 1993	Total Apr 1992	Annual Change		Total Jan 1993	Quarterly Change		Total Mar 1993	Monthly Change	
	Narrow	Wide			Total	%		Total	%		Total	%
Borders	4.1	3.8	812	874	-62	-7.1	827	-15	-1.8	790	22	2.8
Central	6.1	5.7	3,070	2,970	100	3.4	2,975	95	3.2	2,974	96	3.2
Dumfries & Galloway	6.9	6.2	1,781	1,600	181	11.3	1,890	-109	-5.8	1,724	57	3.3
Fife	7.3	6.8	4,126	4,000	126	3.2	4,245	-119	-2.8	4,043	83	2.1
Grampian	3.3	3.2	3,768	3,480	288	8.3	3,922	-154	-3.9	3,823	-55	-1.4
Highland	6.7	6.1	2,862	2,532	330	13.0	3,364	-502	-14.9	3,161	-299	-9.5
Lothian	4.4	4.1	7,886	7,568	318	4.2	8,146	-261	-3.2	7,838	48	0.6
Strathclyde	6.2	5.9	28,340	28,757	-417	-1.5	28,942	-602	-2.1	28,201	139	0.5
Tayside	5.8	5.4	4,553	4,529	24	0.5	4,488	65	1.4	4,501	52	1.2
Orkney Islands	4.3	3.6	146	125	21	16.8	156	-10	-6.4	154	-8	-5.2
Shetland Islands	3.1	2.8	146	134	12	9.0	133	13	9.8	126	20	15.9
Western Isles	7.0	6.4	367	367	0	0.0	410	-43	-10.5	375	-8	-2.1
Scotland	5.6	5.2	57,857	56,936	921	1.6	59,499	-1,642	-2.8	57,710	147	0.3
South of England	6.3	5.8	310,953	268,919	42,034	15.6	312,423	-1,470	-0.5	309,509	1,444	0.5
Midlands & Wales	6.2	5.7	139,128	129,802	9,326	7.2	142,780	-3,652	-2.6	139,163	-35	-0.0
North of England	6.0	5.6	164,251	157,347	6,904	4.4	168,835	-4,584	-2.7	163,110	1,141	0.7
GB	6.1	5.7	672,189	613,004	59,185	9.7	683,537	-11,348	-1.7	669,492	2,697	0.4
UK	6.2	5.7	696,265	636,458	59,807	9.4	708,239	-11,974	-1.7	69,539	2,726	0.4

Source: Department of Employment

TABLE 5: REGISTERED VACANCIES AT JOB CENTRES: BY REGION

	Apr 1993	%	Apr 1992	%	Annual Change		Jan 1993	Quarterly Change	
					Total	%		Total	%
Borders	372	2.0	406	2.0	-34	-8.4	309	63	20.4
Central	1,251	6.6	847	4.3	394	46.0	1,124	127	11.3
Dumfries & Galloway	641	3.4	574	2.9	67	11.7	644	-3	-0.5
Fife	1,002	5.3	867	4.3	135	15.6	763	239	31.3
Grampian	2,045	10.8	1,937	9.6	108	5.6	1,744	301	17.3
Highland	1,338	7.1	1,114	5.5	224	20.1	615	723	117.6
Lothian	2,160	11.4	2,127	10.6	33	1.6	1,777	383	21.6
Strathclyde	8,847	46.7	11,049	55.0	-2,202	-19.9	7,828	1,019	13.0
Tayside	990	5.2	890	4.4	100	11.2	701	289	41.2
Orkney Islands	94	0.5	58	0.3	36	62.1	65	29	44.6
Shetland Islands	146	0.8	103	0.5	43	41.7	230	-84	-36.5
Western Isles	53	0.3	101	0.5	-48	-47.5	53	0	0.0
Scotland	18,939	100.0	20,083	100.0	-1,144	-5.7	15,853	3,086	19.5

Source: Department of Employment

TABLE 6: UNEMPLOYMENT-VACANCY (U/V) RATIO: BY REGION

	April 1993			April 1992			April 1991		
	U/V	GB rank*	% GB	U/V	GB rank*	% GB	U/V	GB rank*	% GB
Borders	8.10	62	33.8	7.43	64	32.2	3.93	66	21.7
Central	9.98	58	41.6	13.73	50	59.5	10.28	51	56.8
Dumfries & Galloway	9.56	60	39.9	9.91	59	42.9	10.79	49	59.6
Fife	16.81	43	70.1	17.64	40	76.4	18.71	21	103.4
Grampian	6.87	63	28.7	6.23	65	27.0	4.78	65	26.4
Highland	8.96	61	37.4	8.06	63	34.9	5.41	63	29.9
Lothian	16.06	46	66.9	15.49	45	67.1	11.91	44	65.8
Strathclyde	14.77	51	61.6	11.65	54	50.5	13.17	37	72.8
Tayside	17.70	41	73.8	19.03	33	82.4	13.39	36	74.0
Orkney Islands	5.26	65	21.9	8.16	62	35.3	7.00	62	38.7
Shetland Islands	3.58	66	14.9	4.24	66	18.4	5.24	64	28.9
Western Isles	30.42	11	126.8	15.36	46	66.5	12.25	43	67.7
Scotland	13.20	52.3	55.1	11.85	53.9	51.3	11.16	50.1	61.7
South of England	28.28	26.3	117.9	25.96	29.8	112.5	19.12	30.9	105.6
Midlands & Wales	23.36	36.2	97.4	24.02	31.9	104.1	19.66	31.9	108.7
North of England	24.87	25.2	103.7	25.99	23.4	112.6	19.88	25.0	109.8
Great Britain	23.98		100.0	23.08		100.0	18.10		100.0

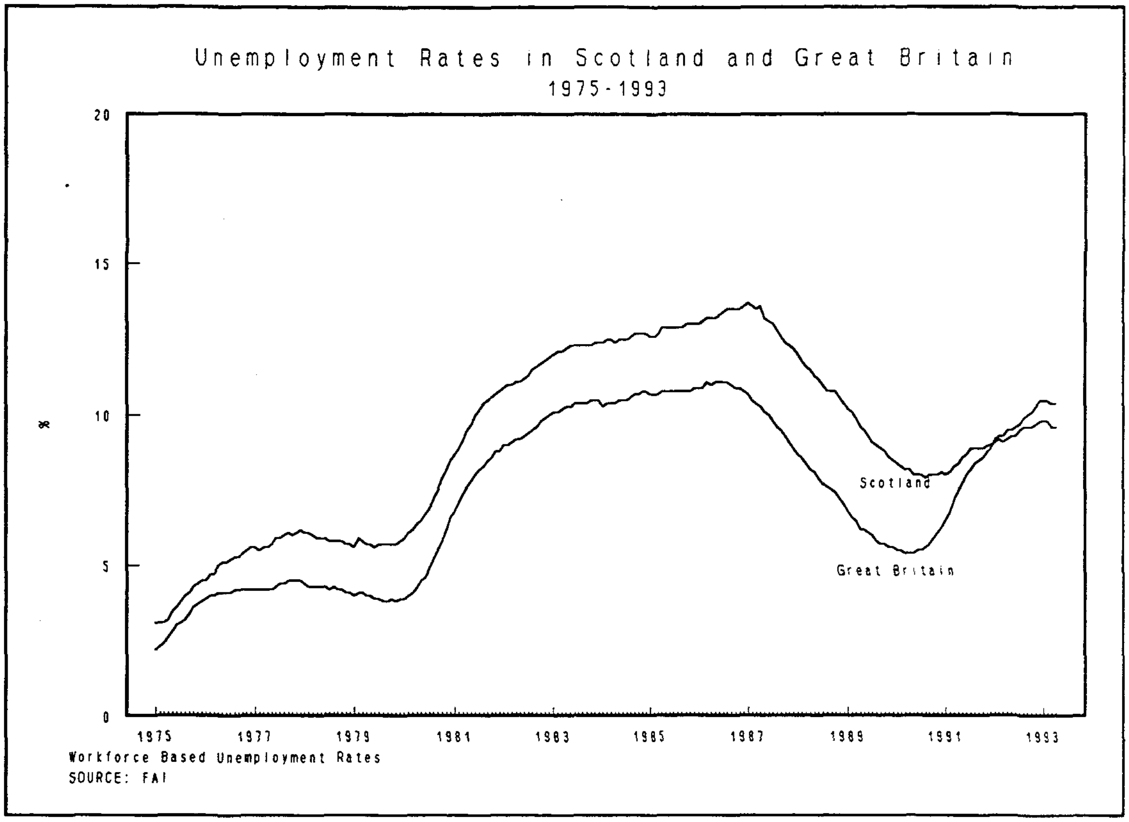
Source: Department of Employment

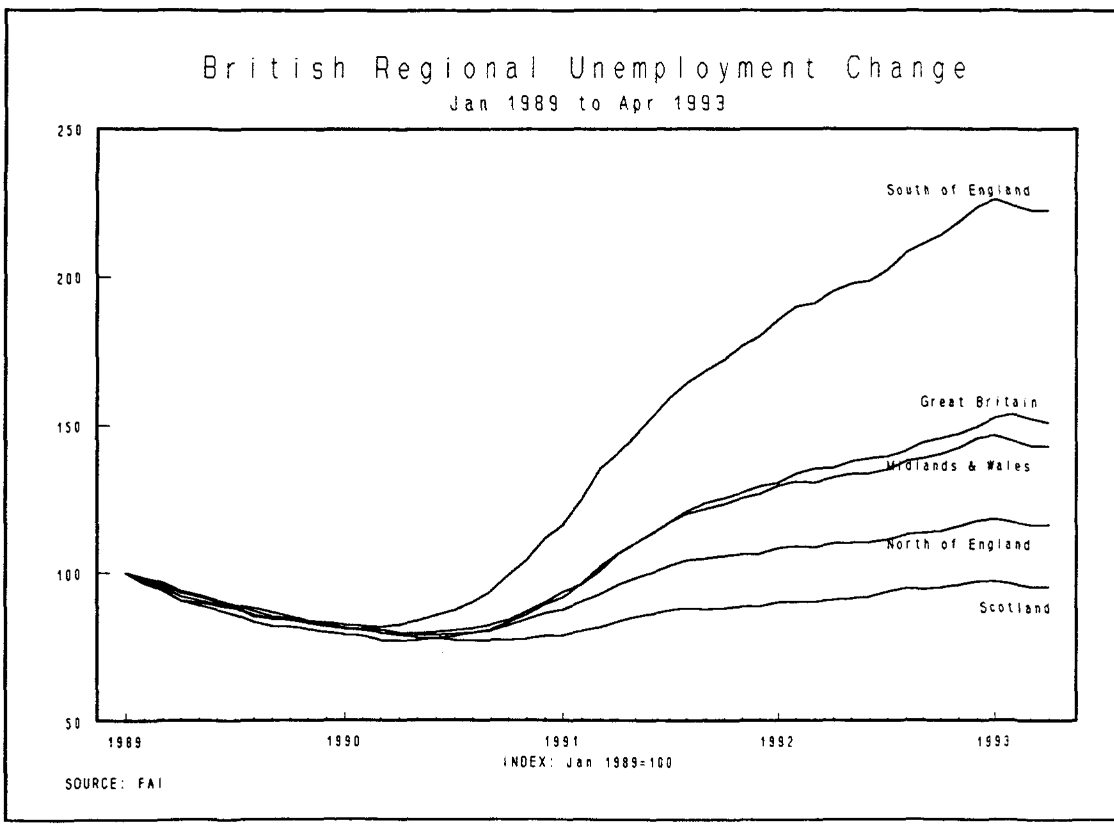
* average rank

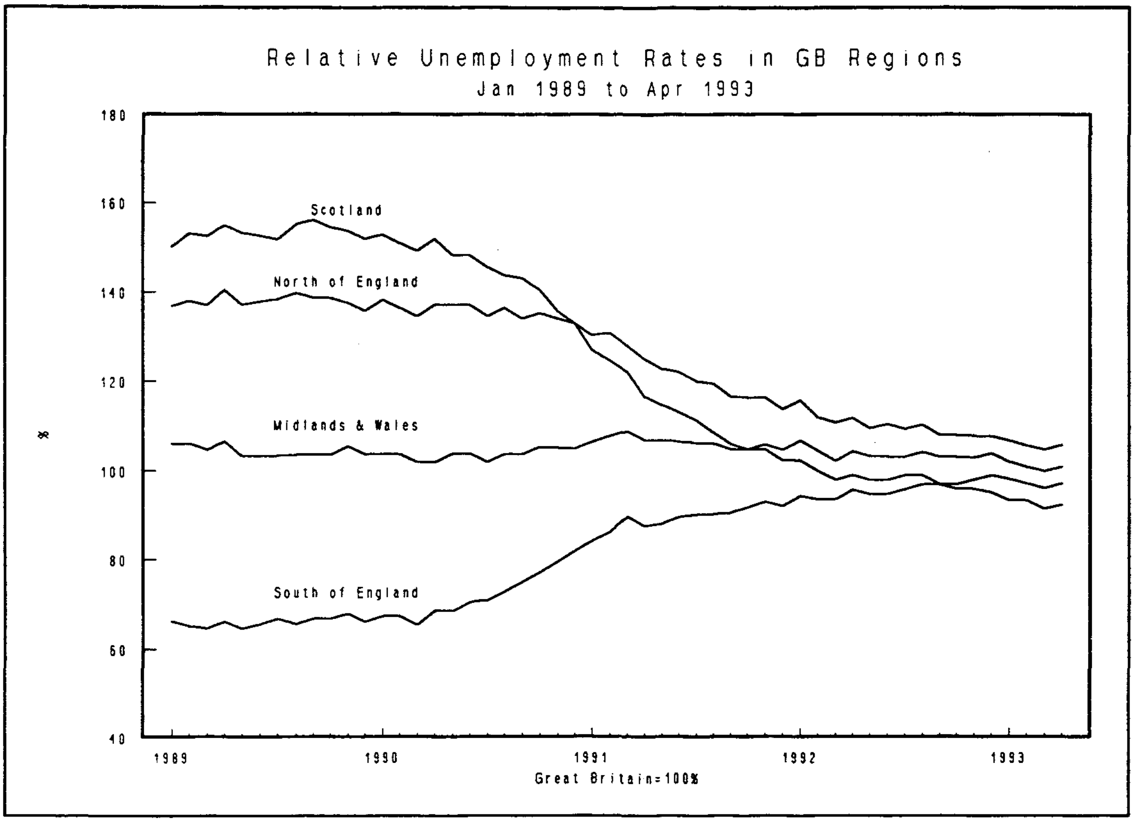
TABLE 7: TTWAs WITH HIGHEST AND LOWEST UNEMPLOYMENT RATES AND RANKS:

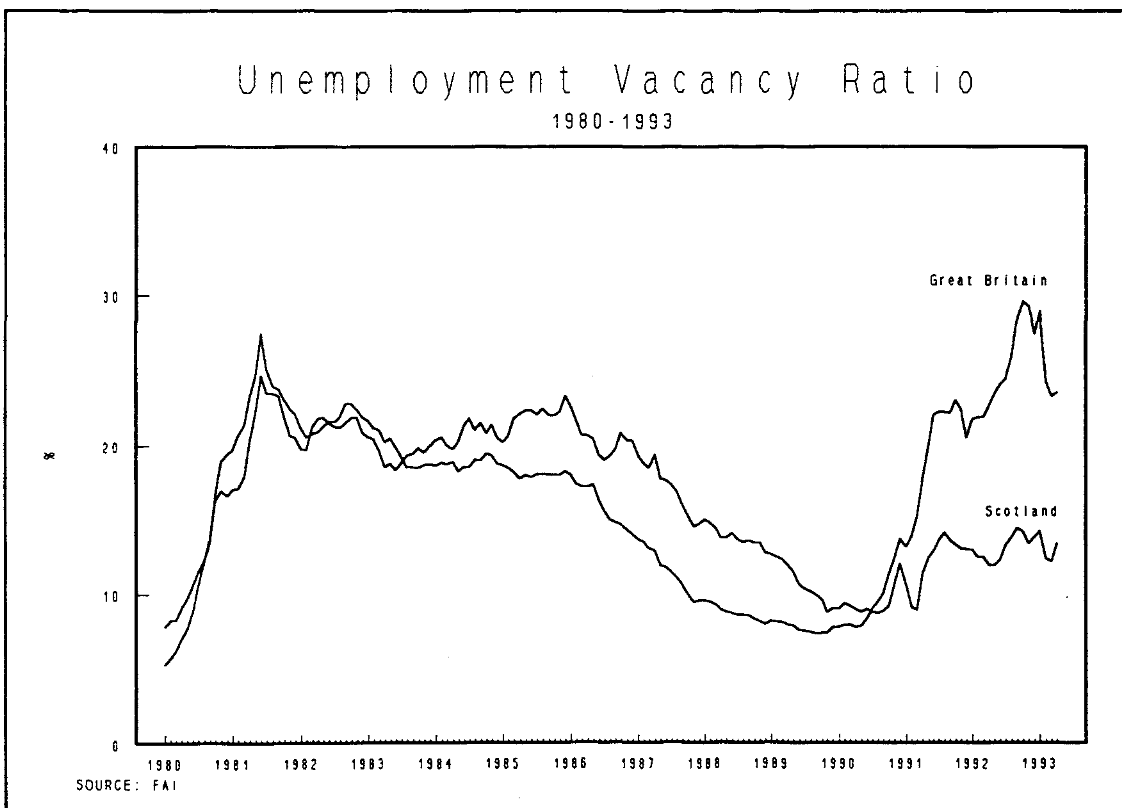
		Unemployment: Apr 1993			Unemployment: Apr 1992			High-Low		High/Low	
		% rate	GB rank	Sc. rank	% rate	GB rank	Sc. rank	Apr 1993	Apr 1992	Apr 1993	Apr 1992
Borders	H Berwickshire	9.0	192	31	8.5	174	29	4.3	3.8	1.9	1.8
	L Galashiels	4.7	313	58	4.7	306	56				
Central	H Alloa	13.5	35	6	12.3	33	8	5.7	5.0	1.7	1.7
	L Stirling	7.8	241	41	7.3	228	38				
Dumfries & Galloway	H Cumnock & Sanquhar	19.1	2	1	19.0	1	1	12.1	12.2	2.7	2.8
	L Dumfries	7.0	274	48	6.8	252	44				
Fife	H Kirkcaldy	13.1	40	9	12.2	35	9	5.2	5.9	1.7	1.9
	L North East Fife	7.9	234	38	6.3	269	48				
Grampian	H Forres	16.7	5	2	12.0	40	10	13.0	8.8	4.5	3.8
	L Aberdeen	3.7	322	60	3.2	321	60				
Highland	H Wick	14.5	19	3	11.5	58	13	5.0	4.4	1.5	1.6
	L Inverness	9.5	180	30	7.1	232	39				
Lothian	H Bathgate	10.9	106	22	11.4	60	14	3.0	4.5	1.4	1.7
	L Edinburgh	7.9	235	39	6.9	242	40				
Strathclyde	H Girvan/Irvine	14.4	20	4	13.7	18	2	8.0	7.7	2.3	2.3
	L Ayr	6.4	290	53	6.0	277	51				
Tayside	H Arbroath	11.9	75	14	11.7	48	11	5.5	5.8	1.9	2.0
	L Crieff/Perth	6.4	289	52	5.9	280	52				

Source: Department of Employment


Unemployment Rates in Scotland and Great Britain
1975-1993
20
15
10
5
0
%
Scotland
Great Britain
1975
1977
1979
1981
1983
1985
1987
1989
1991
1993
Workforce Based Unemployment Rates
SOURCE: FAI


British Regional Unemployment Change
Jan 1989 to Apr 1993
250
200
150
100
50
South of England
Great Britain
Midlands & Wales
North of England
Scotland
1989
1990
1991
1992
1993
INDEX: Jan 1989=100
SOURCE: FAI


Relative Unemployment Rates in GB Regions
Jan 1989 to Apr 1993
180
160
140
120
100
80
60
40
%
Scotland
North of England
Midlands & Wales
South of England
1989
1990
1991
1992
1993
Great Britain=100%


Unemployment Vacancy Ratio
1980-1993
40
30
20
10
0
%
Great Britain
Scotland
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
SOURCE: FAI