

(Press Release - 6th April 2016)

## Analysis of latest Quarterly Scottish GDP (2015 Q4) statistics

### Key points

- Latest data reveals a (revised) small decline in the Scottish economy in Q3, followed by a return to growth in Q4. Scottish GDP growth remains subdued, averaging only 0.1% over the last 3 quarters.
- Relative to the UK, Scotland has been growing more slowly in GDP terms but at around the same rate in terms of GDP per capita.
- Construction growth has almost halted in Q4, but for 2015 as a whole is almost 20% higher than for 2014.

### Overview - latest data

#### Latest quarter (change Q4 2015 on Q3 2015)

- Scottish GDP grew by 0.2% over the last quarter, below the UK figure of 0.6%. The previous quarter has been revised to a fall in GDP of 0.1%.

#### Latest year (change 2015 on 2014)

- Scottish GDP grew by 1.9% over the previous year, below the UK figure of 2.3%.

#### Since 2012

- Scottish GDP has grown by 6.3%, below the UK figure of 7.6%.

### Major points of interest

**Private Sector Services** have shown conflicting performances.

- In the latest quarter the **Transport & Communications (T&C)** and **Financial Services** sub sectors both grew at around 1.5%, while **Retail & Wholesale (R&W)** and **Business Services** both shrank by 0.5%.
- However, over the year as a whole **Financial Services** fell by over 2% while **Business Services** grew by almost 3%.
- Relative to the UK, most **Private Sector Services** under performed in Scotland.

Growth in the **Construction** sector almost ground to a halt in the fourth quarter (+0.1%) but still shows an exceptional performance for the year as a whole, up almost 20%. Much of this is due to a 50% increase in spend on new infrastructure projects in 2015 over 2014. Given the gradual nature

of spend the Forth Replacement Bridge over recent years it remains hard to explain this surge in activity. Furthermore, Scottish employment levels in this industry have been virtually flat over the two years. As a result, some uncertainty over the robustness of these figures remains. (Note: difficulties in measuring construction output are not uncommon and there have been well publicised problems in relation to UK statistics for this sector in recent years.)

A broad swathe of sectors are likely to have been affected to some degree by the decline of the **North Sea** but nothing stands out so far.

A more accurate reflection of the change in the standard of living is gained by looking at **GDP per capita**. This shows no growth from the 1st to the 4th quarter of 2015. In comparison to 2014, it is up by 1.6%, similar to the UK.

Growth in onshore **GDP per capita** is also the best guide to how relative economic performance would affect Scotland's finances post 2016-17 via the new Fiscal Settlement. The evidence from recent years suggests that Scotland would be neither losing out nor gaining to any significant degree.

**Table 1: Economic growth comparison: Scotland and the UK, % change**

	% change on previous quarter		% change on previous year		% change 2015 on 2012	
	Scotland	UK	Scotland	UK	Scotland	UK
<b>GDP*</b>	0.2	0.6	1.9	2.3	6.3	7.6
<b>Manufacturing</b>	0.3	0.1	-0.2	-0.3	0.6	1.3
<b>Construction</b>	0.1	0.3	19.5	3.4	37.8	13.0
<b>Services</b>	0.3	0.8	0.9	2.7	4.8	9.1
Service sub sectors:						
- Wholesale & Retail	-0.5	1.2	1.4	4.6	5.3	16.1
- Transport & Communications	1.5	1.2	0.3	4.4	3.0	9.8
- Health & Social Work	0.7	0.3	1.5	1.5	3.8	7.7
- 'Other' services	0.9	1.0	-0.2	1.8	1.1	10.3
<b>GDP* per capita</b>	0.2	0.4	1.6	1.5	5.3	5.4

Source: Scottish Government GDP release (April 2016)

\* As all extra regio (mainly North Sea related) activity is allocated to the UK as a whole, and not on a regional basis, the UK measure shown excludes it in order to make overall GDP growth more comparable with the Scottish figure. Hence both effectively refer to 'onshore' GDP growth.

**Quote:**

*“Beyond the spurt seen in the 1st quarter of 2015 Scotland’s economy was very sluggish for the rest of the year. This was despite the huge boost from the Construction sector. On the basis that Manufacturing has barely grown over the last 4 years and that public services will still be affected by asuterity then it will be down to Private Sector Services to pick up the pace in 2016 in order to keep the Scottish economy growing at anything approaching a reasonable pace.” - John McLaren*

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