

(Press Release - 15th January 2017)

Analysis of latest Quarterly National Accounts for Scotland (2016 Q3) statistics

The following analysis looks at cash terms data relating to the Scottish economy's performance and considers the total Scottish economy, **including North Sea activity** (unless otherwise stated).

Key points (see also Tables 1 and 2)

GDP (including offshore activity)

- Latest data reveals **growth of almost 1% in (cash terms) Scottish GDP in the third quarter (Q3) of 2016**,.
- However, **Scottish GDP** remains below the level seen two years ago, in contrast to the growth of over 6% seen at the UK level. Much of this poorer performance can be attributed to the slowdown in North Sea activity.
- **Scottish GDP per capita** (£29,296) is 2% below its peak level of 2 years ago and for the third quarter in a row is below the UK level (£29,712).

Trade (excluding North Sea)

- The onshore **Trade deficit** has fallen a little in Q3 but for 2016 as a whole the data remains in line for a deficit of **around £-12 billion, higher than the previous record deficit level of £-10.8 billion seen in 2007**.
- It is **difficult to discern any Brexit/exchange rate depreciation impact on Scottish Trade figures**. While Exports to the Rest of the World (RoW) grew by 3.5% in Q3, Imports from RoW grew by 4.7%.
- **Data revisions** to Imports from the Rest of the UK have **reduced the deficit recorded in 2014 and 2015** by over £1 billion.

Table 1: Economic growth comparison: Scotland and the UK, % change on cash terms levels unless otherwise stated

	% change on Q2 of 2016		% change on Q3 of 2015		% change on Q3 of 2014		
	Scotland	UK	Scotland	UK	Scotland	UK	Diff
GDP							
- onshore only	0.9	-	2.1	-	4.2	-	-
- inc North Sea	0.9	0.8	0.2	4.0	-1.4	6.1	-7.5
- per capita (inc North Sea)	0.8	0.8	0.0	3.2	-2.0	4.6	-6.6

Sources: Scottish Government QNAS release (January 2017), ONS National Accounts website

Table 2: Trade data, Scotland and the UK

	% change on Q2 of 2016	% change on Q3 of 2016	% change on Q3 of 2014
EXPORTS			
- Scotland to RoUK	3.0	7.2	4.6
- Scotland to RoW	3.5	4.2	2.4
- UK to RoW	-2.6	1.7	7.7
IMPORTS			
- RoUK to Scotland	0.3	4.0	9.5
- RoW to Scotland	4.7	8.8	4.8
- RoW to UK	1.4	4.2	9.5

Source: QNAS, January 2017, ONS National Accounts website

Quotes:

“While the third quarter figure for Scottish GDP (in cash terms and including North Sea activity) is positive, the longer run position remains poor, with the level of GDP still below what was seen two years ago.

Furthermore the Scottish Trade balance for 2016, while improving a little in Q3, is still likely to worsen by over £3 billion from 2015 and to a record level.”

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Annex 1: Note on the importance of National Accounts Statistics for Scotland

Unlike the Scottish Government's quarterly GDP publication, which looks only at onshore activity, QNAS includes the impact of all activity, including offshore (North Sea) activity.

National Accounts statistics are important for any country but they are particularly so for a country like Scotland which potentially has a large component of its economy that is dependent on a natural commodity (in Scotland's case oil).

The reason for this is that, while real terms (i.e. adjusted for inflation) changes to GDP give a more accurate picture of the underlying growth of the economy in normal circumstances, this is less true when dealing with natural commodities which are often largely exported and whose price is determined externally, in international terms, rather than internally, in national terms.

Because of this difference, adjusting for inflation is less relevant, as a high price is good for the exporting country (i.e. Scotland) though bad for importing countries. The effect this can have on the economy can be seen in recent years for Scotland (see Chart 1).

Cash terms GDP is also useful in determining a country's tax potential. Hence the fall in Scottish GDP is reflected in the collapse of tax revenues from the North Sea, now down to zero in 2015-16, whereas it had been of an equivalent size to Income Tax (which has continued to grow) as recently as 2008-09 (see Chart 2).

Chart 1: Scottish GDP, cash terms, £, million

Chart 2: Scottish Income Tax and North Sea revenues, 1998 to 2015

