

(Press Release - 17th January 2018)

Analysis of latest Scottish GDP (2017 Q3) statistics

Scottish Economy slowdown continues in Q3 of 2017

Today's official figures for Scottish Gross Domestic Product (GDP) - onshore and in 'real' terms - go up to the Third Quarter of 2017.

Key points

- Latest data reveals an increase in the **Scottish economy in the Third Quarter (Q3) of 2017 of 0.2%**, below the (still poor) **UK** growth rate of 0.4%;
- Compared to the first 3 quarters of 2016, the Scottish economy has grown by 0.5% in 2017, which is roughly in line with the Scottish Fiscal Commissions growth forecast for 2017 as a whole of 0.7%.
- In **GDP per capita** (standard of living) terms, Scotland has now experienced 10 quarters without growth compared to a rise of 3% seen for the UK over the same period;
- **Manufacturing output** grew in Q3 but has fallen over the last 2 years by 2.5% in Scotland, compared to growth of over 4% at the UK level;
- **Construction** continues to fall, down now by over 12% from its peak of two years ago;
- **Services** growth in Q3 is disappointing, at only 0.2%, due to a lack of any growth in the 'Business Services & Finance' sector;
- The specially constructed '**Active Economy**' measure (essentially Manufacturing and (non-financial) Private Sector Services) grew by 1.5% in Scotland over the past year, in comparison to 2.6% for the UK;
- In broad terms:
 - Manufacturing is improving, after a bad spell, both possibly connected to the varying fortunes of North Sea activity;
 - Construction continues to adjust down from its historically high level of 2015;
 - Private sector services continue to underperform, although any connection to the North Sea downturn is less certain than for Manufacturing.

Comparison of growth rates over time (see Table 1)

Scottish GDP growth has been slow for almost three years now. In comparison, the UK has continued to grow, albeit at a relatively low rate.

Table 1 shows that this poor performance, relative to even the UK, was largely down to **Production, Retail & Hospitality and Transport & Communications**.

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

	3 YEARS OF POOR GROWTH FOR SCOTLAND....			...BUT GETTING BETTER		
	% change 2014 Q3 to 2017 Q3			% change 2016 Q3 to 2017 Q3		
	Scotland	UK	Difference	Scotland	UK	Difference
GDP*	2.5	5.7	-3.2	0.6	1.8	-1.2
GDP per capita	1.0	3.6	-2.6	0.2	1.1	-0.9
Active Economy	1.8	10.4	-8.6	1.5	2.6	-1.1
<i>By main sectors:</i>						
- Production	-4.9	4.9	-9.8	2.6	2.4	0.2
- Construction	7.0	11.9	-4.9	-7.5	4.8	-12.3
- Services	3.7	6.5	-2.8	0.9	1.4	-0.5
- Retail & Hosp'y	4.5	11.9	-7.4	1.7	2.0	-0.3
- Transport & Comm'ns	3.1	11.3	-8.2	2.6	1.8	0.8
- Financial & Business	5.7	6.2	-0.5	0.1	1.6	-1.5
- Gov't & Other	1.5	1.6	-0.1	0.9	0.4	0.5

Sources: Scottish Government GDP release (January 2018); ONS UK National Accounts.

* The UK GDP figure shows the average across Income, Expenditure and Output measures. The Output measure alone back to 2014Q3 is higher, at 6.6%.

Manufacturing

The performances of Scottish and UK Manufacturing have varied greatly since the Great recession of 2009.

At the **UK** level, post 2010, Manufacturing output had been static prior to the rise seen over the past year (+3%).

However, for **Scotland**, the early post recession years (2011 to 2014) saw Scottish Manufacturing output grow by over 10%. This was followed by a severe down turn of almost 10% (2014Q4 to 2016Q4) concentrated in the sectors of '**Metals & Machinery**' (down by over 20%), '**Computer & Electrical Products**' (down by almost 15%) and '**Other Manufacturing & Repairs**' (down by

over 10%). (Note: the UK also experienced a big fall in ‘**Metals & Machinery**’ over this period, mainly relating to Machinery.)

Over the past year both the UK and Scotland have seen growth return to Manufacturing, up by around 3% in both cases. However, the source of this growth has been very different.

At the UK level, the rise has been down to increases in most Manufacturing sub-sectors, but especially from **Transport Equipment**, up by over 15%. (Note: this is (relatively) a much smaller sector in Scotland than for the UK as a whole.)

At the Scottish level, the rise has been more down to a recovery in ‘**Metals & Machinery**’ and ‘**Other Manufacturing & Repairs**’.

Quote:

*“Scotland’s GDP growth performance continues to disappoint. While a return to growth in Manufacturing is welcome, Construction continues its almost 2 year adjustment down to more normal levels. Perhaps most worrying is the lack of growth in **Business Services & Finance**, in contrast to this being the main engine for growth for the Services sector at the UK level.*

Furthermore, if the Scottish Fiscal Commissions forecasts turn out to be accurate then we can expect growth of under 1% to continue for another four years after 2017.”

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