

(Press Release - 15th August 2018)

Analysis of revised Scottish GDP data and latest Quarterly National Accounts for Scotland (QNAS) statistics for Quarter 1 and for Financial Year 2017-18

The following analysis looks at data relating to the Scottish economy's performance in both real terms excluding North Sea activity (GDP) and in cash terms and including North Sea activity (QNAS).

Key points

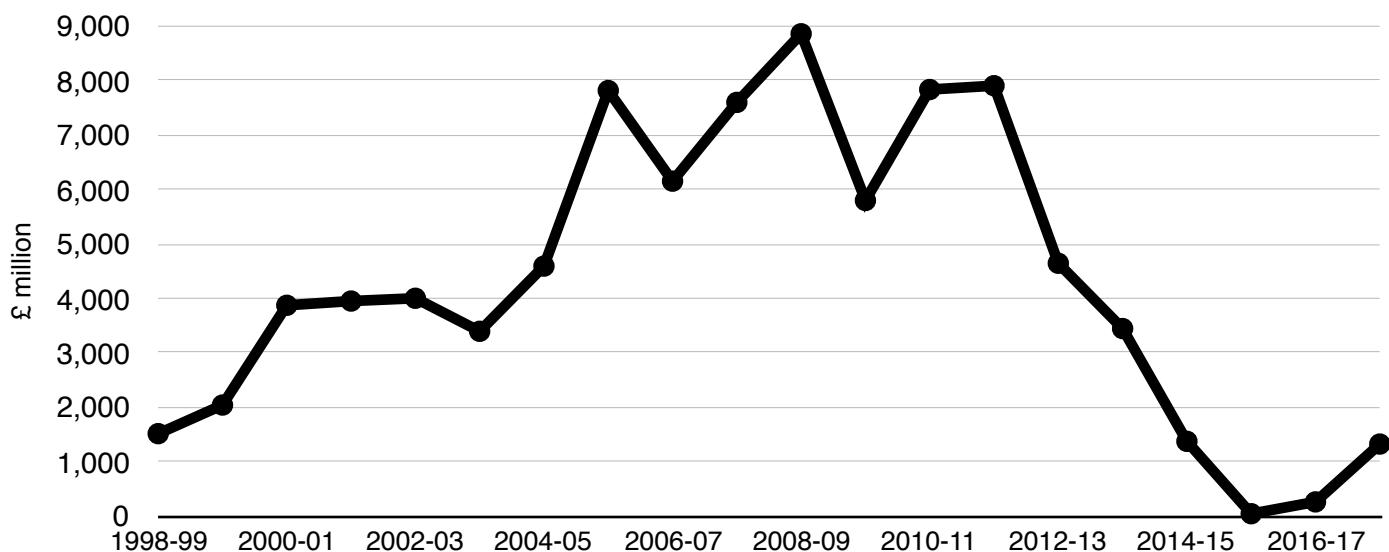
Real Terms GDP (onshore only)

- Revised data for Scottish GDP is now available all the way back to 1998.
- **The good news** is that growth in Q1 has been revised up from 0.2% to 0.4% and growth for both 2017 and 2016 has also been revised up, by 0.5% and 0.2% respectively.
- **The bad news** is that growth for both 2015 and 2014 have both been revised down by even more, 1.1% and 0.8% respectively.
- **Overall**, the growth rate seen since 2010 remains poor, averaging around 1% a year, actually slightly worse than before.
- These revisions result in a **smoother profile than before**, without both the high growth of 2.7% previously estimated for 2014 but also without the very low growth of 0.2% seen in 2017. This re-profiling has also meant that instead of three years of negative growth since 2008, there is now estimated to have been only one (2009).
- The main cause of this rewriting of history has been **huge revisions to Construction sector output**. For example, growth of 18% in 2015 has now been revised down to 6% and this has had knock on impacts in other years. Indeed back in 2016 the estimated growth in the Construction sector over 2014 and 2015 was 34% and now it is 6%. Clearly such an error is worrying. The Scottish Government statisticians, have, unsurprisingly changed their methodology for estimating Construction output. However, it remains a concern that the alarm bells set off by these figures did not result in quicker action being taken over the two years since such vastly inflated estimates were originally made.
- Elsewhere the revisions failed to alter the dismal growth profile of the hospitality driven '**Accommodation and Food services**' sector which still shows almost no growth since 1998, or the disappeared decade (2003 to 2013) in the '**Information and Communications**' sector.
- Other revisions showed: less of a decline in '**Financial services**' since its peak in 2009, down by 6% now instead of the old 12%; and a poorer '**Business services**' performance of late, up by only 3.4% since 2014 compared to the old estimate of by 6.6%. The latter in particular is a worry.

National Accounts (including offshore)

- North Sea related GDP grew by over 14% over the past year. As result, overall **Scottish growth, in cash terms and including offshore activity**, grew by over 4% over the last 4 quarters.
- **North Sea Oil related Tax Revenues** have also recovered, from being next to nil in financial years 2015-16 and 2016-17 to being back over £1 billion in 2017-18 (£1,327 million). (See Chart 1 for a historical perspective.)

Chart 1: Scottish North Sea Revenues (geographic share), £ million, 1998-99 to 2017-18



Source: QNAS, August 2018

Quotes:

"The revised figures for Scottish GDP show a better performance of late than had been previously estimated but the post recession performance remains poor, in fact overall worse than before.

The huge revisions to Construction output are a worry but at least seem to make more sense than the 34% growth in 2 years that had been estimated earlier. Such large and late revisions make it difficult to seriously analyse Scottish economic performance."

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