

(Press Release - 19th June 2019)

Analysis of latest Scottish GDP (2019 Q1) statistics

Latest figures show improved Scottish economic growth in First Quarter of 2019

Todays official figures show the first estimate of Scottish Gross Domestic Product (GDP) - onshore and in 'real' terms - for the First Quarter of 2019.

Key points

- Latest data reveals growth in the **Scottish economy in the First Quarter (Q1) of 2019 of 0.5%**, the same as the UK growth rate. This is a relatively high, post 2009, quarterly growth rate and was largely due to unusually high growth in two Manufacturing sectors - Spirits and Pharmaceuticals;
- Compared to the same **quarter of 2018**, the Scottish economy grew by **1.4%**, below the UK's 1.8%;
- Outside of Manufacturing, **the main contributors to growth** in the first quarter were Construction and 'Other' Services. Partly offsetting these gains were significant falls (down by over 1% in the quarter) in Hotels & Catering and in Business Services. Within Business Services, output from the important, and traditionally fast growing, 'Professional, Scientific & Technical Services' sector is now over 4% lower than at its recent peak in late 2016;
- The specially constructed '**Active Economy**' measure (essentially Manufacturing and (non-financial) Private Sector Services) continues to grow notably faster at the UK level than the overall GDP measure. However, the same is not true for Scotland, which points to an issue with regards to Scottish Private Sector Services.

(Note: As North Sea related activity is allocated to the UK as a whole, and not on a regional basis, the UK GDP measure shown throughout this analysis excludes it in order to make overall UK GDP growth more comparable with the Scottish figure. Hence both effectively refer to 'onshore' GDP growth.)

Comparison of growth rates over time and across sectors

Table 1 highlights growth patterns over three time periods: i) since the First Quarter of 2017; ii) since the First Quarter of 2018; and iii) since the Fourth Quarter of 2018, both in absolute terms and in relative (to the UK economy) terms.

Table 1: Scotland vs UK growth comparisons, % change, in real terms

Sector	2017 Q1 to 2019 Q1			2018 Q1 to 2019 Q1			2018 Q4 to 2019 Q1		
	Sc	UK	Diff	Sc	UK	Diff	Sc	UK	Diff
GDP	2.6	3.1	-0.5	1.4	1.8	-0.4	0.5	0.5	0
GDP per capita	1.8	1.8	0	0.9	1.2	-0.3	0.3	0.4	-0.1
Active Economy'	3.3	6.0	-2.7	1.3	3.1	-1.8	0.3	0.9	-0.6
by Industry									
Manufacturing	5.3	3.5	1.8	2.8	1.2	1.6	2.6	2.2	0.4
Construction	2.3	2.5	-0.2	4.0	2.9	1.1	2.0	1.0	1.0
Services	2.2	3.5	-1.3	1.2	2.0	-0.8	0.1	0.3	-0.2
by Service									
- Retail/Wholesale	3.3	6.0	-2.7	2.1	4.5	-2.4	0.3	1.1	-0.8
- Accom'n & Food	6.1	4.6	1.5	-0.1	3.8	-3.9	-1.1	0.8	-1.9
- Transport & Comms	3.3	8.0	-4.7	1.1	4.5	-3.4	0	0.7	-0.7
- Business & Finance	1.7	2.6	-0.9	1.3	0.9	0.4	-0.1	0	-0.1
- Gov't & Other	1.5	1.2	0.3	0.8	1.2	-0.4	0.4	0.2	0.2

Source: Scottish Government, Scotland's GDP Q1 2019, June 2019; ONS UK National Accounts.

- (1) As 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 UK GDP growth more comparable with the Scottish figure.
- (2) The UK GDP figure shows the average across Income, Expenditure and Output measures and is used in the Scottish Government's release, although this means that sectoral changes do not add up to the overall UK change.
- (3) GDP per capita is shown including the North Sea, consistent with ONS statistics.
- (4) GDP per capita adjusts for changes in population and hence is a better measure of how living standards (GDP per head of population) have changed.
- (5) Differences shown in **RED** indicate a relatively poor performance for Scotland relative to the UK. Differences shown in **GREEN** indicate a relatively good performance for Scotland relative to the UK.

Over the past two years (2017 Q1 to 2019 Q1):

- UK growth has been a little faster than seen in Scotland, although this differential disappears one population change is taken into account;
- However, the patterns of growth have been quite different, with Manufacturing relatively good in Scotland and Private Sector Services relatively poor.

Over the past year (2018 Q1 to 2019 Q1):

- Scotland grew more slowly than the UK, again due to relatively slower growth across much of Private Sector Services;

Over the past quarter (2018 Q4 to 2019 Q1):

- Both the UK and Scotland benefitted from very strong Manufacturing growth. (*Note: UK Manufacturing growth in Q1 was the fastest seen in a quarter since 1988, helped by strength in pharmaceuticals, alcohol and transport equipment. The Scottish series is more erratic and so large rises (and falls) are more common.*)

In each of the above time-frames, Scotland's underperformance narrows, or disappear when the figures are looked at in GDP per capita terms.

It is very noticeable that **the 'Active Economy' is growing much faster than the overall economy in the UK**, averaging around 3% a year at the UK level, which is reassuring. In particular, Private Sector services have seen healthy growth over the past couple of years and Manufacturing in the latest quarter. However, this is not the case for Scotland where growth in the two economy measures is similar.

Quotes:

"Scottish growth in Quarter 1 of 2019 was above the recent average, helped by what are likely to be one-off boosts in spirits and pharmaceuticals production. However, the idea, as espoused by the Scottish Economy Secretary, that "Scotland's economy continues to go from strength to strength" is absurd, as the recent £1 billion blow to the Scottish Budget through relatively slower Scottish growth demonstrates."

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