

(Draft Press Release - 3rd February 2020)

Analysis of latest Scottish GDP (2019 Q3) statistics

Last weeks official figures show the latest estimates of Scottish Gross Domestic Product (GDP) - onshore and offshore in 'current prices' and onshore only in 'real' terms - up to the Third Quarter of 2019. It includes considerable revisions to some series, in particular to North Sea related GDP.

(Note: the data was published at a new site and can be found at [https://www.gov.scot/collections/economy-statistics/#gdpquarterlynationalaccounts,scotland\(qnas\)](https://www.gov.scot/collections/economy-statistics/#gdpquarterlynationalaccounts,scotland(qnas)) .)

Scottish GDP (in cash terms)

- Total Scottish GDP has been revised down by over £5 billion from the previous estimate, a fall of around 3% (see Table 1). The reduction is entirely related to revised ONS estimates of offshore (North Sea) output;
- As a result, GDP per capita in 2018, which had been around 3% higher for Scotland than for the UK, is now £32,253, almost exactly the same as the UK figure of £32,276.
- The level of GDP is a key variable in determining economic and fiscal health measures like the 'standard of living' (GDP per capita), and the fiscal balance as a share of GDP. Such a large revision has important implications for these calculations although there was no acknowledgement of this at the time of publication;
- As an example of its impact, the Scottish fiscal deficit in 2018-19, estimated at £12.6 billion in the latest GERS, has moved from -7.0% of GDP to -7.2% of GDP as a result of these revisions. This means that another £350 million would have to be adjusted for to reach a 3% deficit target, for example.

Health & Social Work (in real, inflation adjusted, terms)

- Output in the Scottish Health & Social Care sector has been near standstill over the past seven years, despite above inflation budget settlements for the NHS. Output has risen by only 1% since 2012 Quarter 3 and has fallen by 0.5% since 2016 Quarter 3 (see Table 2);
- At the UK level this sector has continued to grow, up by 11.5% since 2012 Quarter 3 and by 3.6% since 2016 Quarter 3. Some of this discrepancy will be down to differences in population growth but most of it will not;
- The majority of the poorer Scottish performance, relative to the UK, could be due to: fewer resources being added over this period; poorer productivity out-turns; problems with data collection or consistency. In each case it would seem important for the Scottish Government to try and determine the main underlying reason(s) for this underperformance.

Business Services (in real, inflation adjusted, terms)

- Output in the Scottish Business Services sector (covering ‘Professional, scientific, administration and support’ services) has fallen by around 0.5% over the past five years (see Table 2);
- At the UK level Business Services output has grown by 19% over the same period, making it one of the fastest growing sectors of the economy;
- Whilst less connected to government decisions than the Health and Social Care sector, this discrepancy is still a major worry and worthwhile of considerably more scrutiny than it currently gets.

Table 1: Scottish GDP (onshore plus offshore), 2018

	Previous data	New Data	Difference
Total GDP, £ million	180,408	175,397	-5,011
GDP per capita	33,175	32,253	-922
Deficit as a % of GDP	7.0%	7.2%	0.2%

Table 2: selected Scottish and UK sectoral growth rates, %

	Health & Social Care		Business Services	
	Scotland	UK	Scotland	UK
2012 Q3 to 2019 Q3	1%	11.5%		
2016 Q3 to 2019 Q3	-0.5%	3.6%		
2014 Q3 to 2019 Q3			-0.5%	19%

Quotes:

“The lack of analysis of important trends and revisions to Scottish economic data is worrying if not entirely unexpected. A £5 billion, near 3%, downwards revision in Scottish GDP has important implications for judging Scotland’s economic and fiscal standing, especially in terms of independence or full fiscal autonomy.

Even more worrying is the performance of key sectors like Business Services and Health & Social Care. The first is a driving force for private sector growth and the second is a key output target for the Scottish Government. However, thus far recent underperformance’s have received little, if any, attention.”

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