

Press Release - 15th July 2015

Analysis of latest Scottish GDP (2015 Q1) statistics and Labour Market (March - May 2015) statistics

GDP (see also Table 1)

Latest quarter (change Q1 2015 on Q4 2014)

- Scottish GDP grew by 0.6% in the first quarter of 2015. The UK grew by 0.4% over the same period (see also Note 1 of Table 1).
- Growth in the first quarter was fastest in Construction (+2.1%), Hotels & Catering (+2.0%) and 'Other' Services (+5.4%). In contrast, Financial Services (-2.2%) and Agriculture (-4.0%) performed poorly.
- Within Manufacturing, there has been a large rise in the latest quarter in 'Refined Petroleum, Chemicals & Pharmaceutical Products' output (+13.6%), back up to its highest level in 5 years.
- The rise in 'Other' Services output brings it back to its highest level since 2006 and above the level seen at the time of the Commonwealth Games last year. However, unlike then it is not clear what has boosted output in the latest quarter.

Year on year (change Q1 2015 on Q1 2014)

- Over the past year, Scottish GDP grew by 2.8%. In comparison, the UK's grew by 2.9%.
- As with the most recent quarter, the fastest growth was seen in Construction (+21.1%), Hotels & Catering (+4.8%) and 'Other' Services (+5.2%).
- Clearly the standout performance over the past year has come from the Construction sector. ONS data on the UK Construction Industry highlights that this increased Scottish activity is concentrated in the infrastructure sector, although big rises have also been seen in new public work, both housing and non-housing related. Confusingly, the latest official figures for the Scottish Construction workforce, for March 2015, are down 6% on a year earlier.
- The reason the UK grew a little faster over the past year is down to Services, which account for three-quarters of the economy and which grew almost twice as fast at the UK level (3.1%) than in Scotland (1.6%).

Post-recession sectoral trends

Manufacturing

- Both Scotland and the UK experienced a large down turn in 2009, although, overall, Scotland's was a milder downturn. Both have followed similar, mild, recovery paths since.

Construction

- Until recently the UK and Scotland had experienced similar growth patterns, including a big fall 2008 to 2009, followed by recovery before another big fall in 2012. Since 2012 Scotland has grown at a much faster pace.

Wholesale & Retail

- Scotland experienced a milder initial down turn but has also seen less of a recovery, particularly in the last two years.

Financial and Insurance

- Scotland experienced a worse downturn from 2009 to 2011 but has since recovered some of this loss, while for the UK as a whole the sector has continued to decline.

Real Estate

- Along with Manufacturing, Retail & Wholesale and Business Services this, little discussed, sector comprises over 10% of the economy. Its importance is derived from the inclusion of implied rental values for all (including owner occupied) housing in the UK and Scotland. From 2007 to 2012 the the sector grew consistently faster for the UK as a whole than for Scotland.

Business Services

- Scotland experienced less of a fall in 2009 but has recovered more slowly than the UK since.

Health & Social work

- Along with Real Estate, this is the only sector that has kept growing throughout the post 2007 period. Also, and again like Real Estate, the sector has grown consistently faster at the UK level than for Scotland.

Overall

- Scotland's milder contraction in 2009 was due to smaller downturns in Manufacturing, Retail & Wholesale Services and Business Services This advantage has since been more than reversed due to a faster pace of recovery for the UK as a whole in Retail & Wholesale and Business Services and by a sustained faster pace of UK growth in Real Estate and Health & Social Work. Since 2012 this UK growth advantage has been partly offset by a relatively good Scottish performance in Construction, especially, and also in Financial Services.

Labour Market (see also Table 1)

Latest quarter (change March - May 2015 on Dec-Feb 2015)

- Scottish **employment** (aged 16+) rose by 1,000 over the latest quarter, while the rate (aged 16-64) rose by 0.1 of a percentage point. In comparison, the UK fell by 67,000 while the rate fell by -0.1 of a percentage point.
- Scottish **unemployment** (aged 16+) fell by 15,000 over the latest quarter, equivalent to a fall of -0.5 percentage points. In comparison, the UK rose by 15,000, equivalent to a rise of 0.1 of a percentage point.

Latest year (change March - May 2015 on March - May 2014)

- Scottish **employment** rose by 40,000 over the year, equivalent to a rise of 1.2 percentage points. In comparison, the UK rose by 265,000, equivalent to a rise of 0.5 of a percentage point.
- Scottish **unemployment** fell by -39,000 over the year, equivalent to a fall of -1.4 percentage points. In comparison, the UK fell by -273,000, equivalent to a fall of -0.8 percentage points.

Across the UK

- At 74.3% Scotland's **employment rate** (aged 16-64) remains above that of the UK, by 1 percentage point. Across the 'regions' of the UK, Scotland has the 5th highest employment rate, behind those in the South (excluding London) and East (including the East Midlands) of England. The South West is the highest, at 77.4%. Northern Ireland and North East England have the lowest employment rates, both below 70%.
- At 5.5%, Scotland's **unemployment rate** (aged 16+) remains marginally below that of the UK (5.6%). Across the 'regions' of the UK, Scotland has the 5th lowest rate, the lowest (all below 5%) again being in the South (excluding London) and East of England. The highest rates is in North East England (7.7%) followed by Yorkshire & Humberside (6.9%).

Quotes:

John McLaren:

“Scotland's economy continues to improve in terms of higher output and employment.

The boom in the Construction sector over the past year has been remarkable but is not reflected in the labour market figures.

After faltering at the end of 2014, the Services sector in Scotland has returned to growth, with the hiccup in the performance of the Business services sector now over.”

Table 1: Economic comparison: Scotland and the UK

	% change		rate
	on previous quarter	on previous year	%
GDP			
Scotland	0.6	2.8	-
UK 1	0.4	2.9	-
Difference (Scotland minus UK)	0.2	-0.1	-
Employment rate (16-64)			
Scotland	0.1	1.2	74.3
UK	-0.1	0.5	73.3
Difference (Scotland minus UK)	0.2	0.7	1.0
Unemployment rate (16+)			
Scotland	-0.5	-1.4	5.5
UK	0.1	-0.8	5.6
Difference (Scotland minus UK)	-0.6	-0.6	-0.1

Sources: Scottish Government GDP release (July 2015); ONS regional labour market release (July 2015).

Notes:

1. As the Scottish GDP measure excludes any North Sea activity, throughout this Note we show the UK comparator measure excluding extra regio (mainly North Sea) activity, in order for the two measures of GDP growth to be more comparable. It is also worth noting that if a geographic share of North Sea Output were included in the Scottish figures then, for most years, growth would look very different to the growth seen on the mainland only.



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