

ECONOMIC INDICATORS

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This briefing provides a selection of indicators on aspects of the Scottish economy. The indicators include

1. Economic growth (Gross Value Added)
2. Manufactured exports
3. The labour market
4. Population change
5. Housing market
6. UK inflation, interest and exchange rates

An [audio summary](#) of this briefing is also available.

The next update of Economic Indicators will be issued in November 2008.

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SUMMARY OF RECENT TRENDS

GVA



- total output increased 0.3% over the last quarter

Manufactured exports



- export value increased 2.3% over the last quarter

Unemployment



- the claimant count increased 0.1% over the month

Population change



- the population rose by 0.5% over the year

House prices



- house prices have declined in recent months

UK inflation



- CPI increased by 4.4% over the year, RPI by 5%

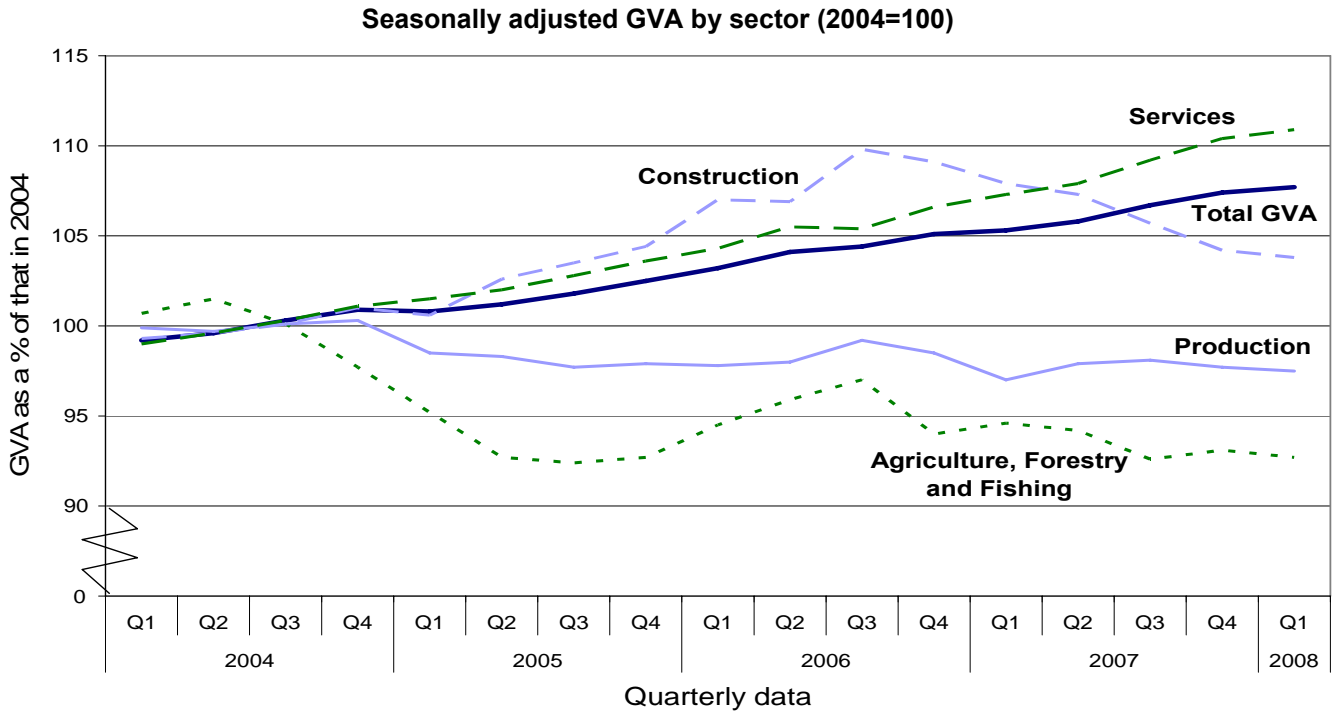
Interest rates



- the Bank of England kept interest rates at 5%

1. ECONOMIC GROWTH (GROSS VALUE ADDED)

- Over the quarter to 2008 Q1, total output of the Scottish economy measured by Gross Value Added¹ (GVA) is estimated to have increased by 0.3%, although only after a 0.4% downward revision in the 2007 Q4 GVA.
- Within this overall rise in GVA there were declines for agriculture, forestry & fishing (0.4%), the production sector including manufacturing (0.1%) and construction (0.4%) but an increase for the services sector (0.5%).
- Over the year to March 2008 GVA is estimated to have increased by 2.1%.



Source: Scottish Government (2008a)

GVA in UK and Scotland as a % of that in 1998

Year	UK	Scotland
1998	100.0	100.0
1999	103.1	101.8
2000	107.0	104.6
2001	109.3	107.0
2002	111.2	107.9
2003	114.3	110.0
2004	118.1	112.9
2005	120.2	114.6
2006	123.9	117.6
2007	127.5	120.0

Sources: Office for National Statistics (2007a), Scottish Government (2008a)

- Since devolution in 1998, most recent annual figures show that UK GVA increased by 27.5% and Scottish GVA increased by 20.0%.

Independent forecasts for economic growth

Forecast source	Date	Area	2008	2009	2010
Fraser of Allander	June 2008	Scotland	1.9	1.7	1.8
Item Club	June	Scotland	1.5	1.6	2.3
		UK	1.8	1.5	2.7
Experian	April 2008	Scotland	1.7	1.6	2.5
		UK	1.8	1.5	2.3
CE ²	July 2008	Scotland	1.6	1.4	n/a
		UK	1.7	1.6	n/a
Average		Scotland	1.7	1.6	2.2
		UK	1.8	1.6	2.5

Sources: Ernst and Young Item Club (2008), Scottish Government (2008b)

- The most recent forecasts have been revised down compared with previous forecasts by these organisations. The average forecasts for Scotland and the UK are now very similar, the differences being well within forecasting error.

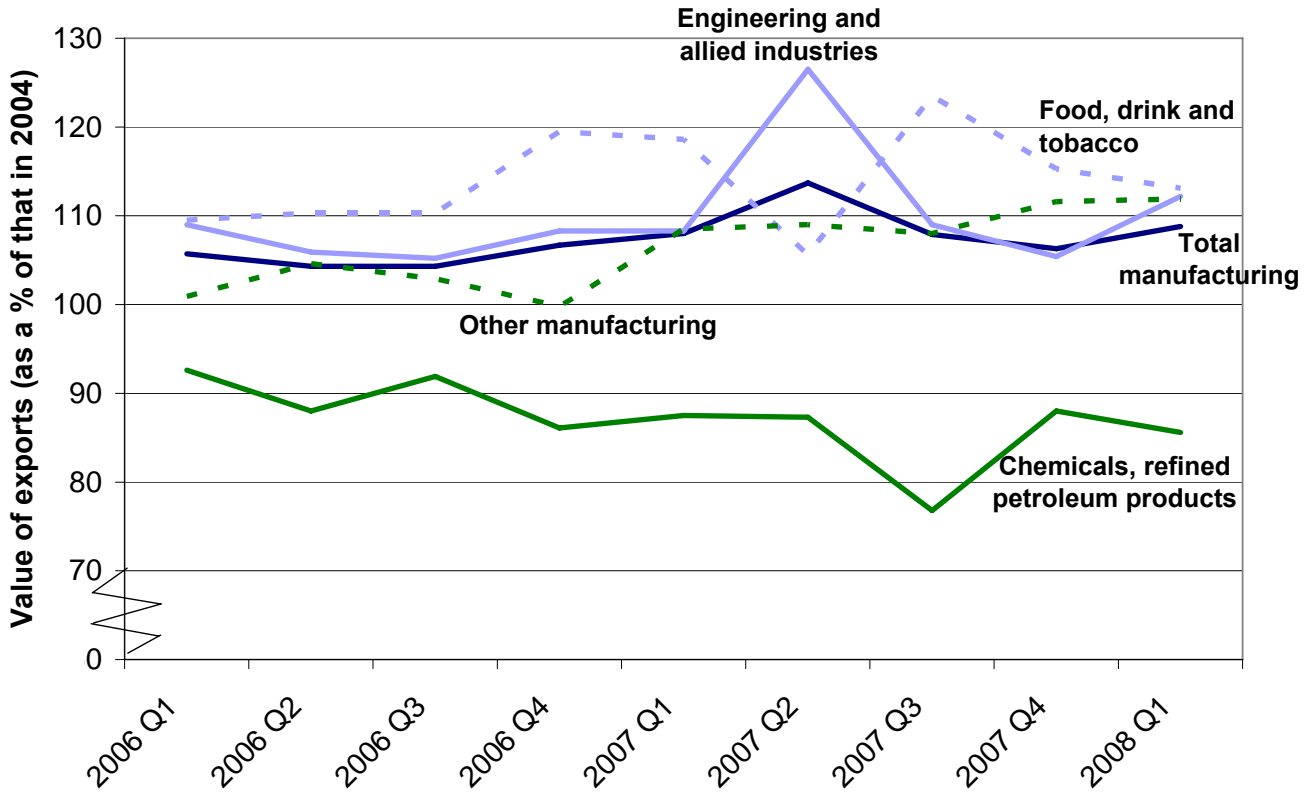
¹ Also known as Gross Domestic Product at basic prices i.e. excluding taxes and subsidies.

² CE refers to Cambridge Econometrics

2. MANUFACTURED EXPORTS

- Over the quarter to 2008 Q1, the value of manufactured exports is estimated to have increased by 2.3% in real terms. This is largely driven by a 6.5% increase in engineering and allied industries exports. There was a fall in the value of exports in the food, drink and tobacco sector (-1.9%) and in the chemicals and refined petroleum products sector (-2.7%).
- Over the year to 2008 Q1, the value of manufactured exports is estimated to have increased by 3.2% in real terms. This is largely driven by a 5.9% increase in both engineering and allied industries exports and other manufacturing³ exports, with a fall in food, drink and tobacco and chemicals and refined petroleum products exports.

Index of Manufactured Exports, Constant Prices, by Sector (2004=100)



Source: Scottish Government (2008c)

- The total value of manufactured exports, as a % of that in 2004, has risen. This increase has been driven by engineering and allied industries, food, drink and tobacco and other manufacturing sectors.
- There has been a fall in the value of chemicals and refined petroleum product exports as a % of that in 2004.

Relative size of export sector, 2007

Sector	% of total manufactured exports contributed by sector
Food, drink & tobacco	25.8%
Chemicals, refined petroleum products	11.3%
Engineering & allied industries	48.4%
Other manufacturing	14.5%
Total manufacturing	100.0%

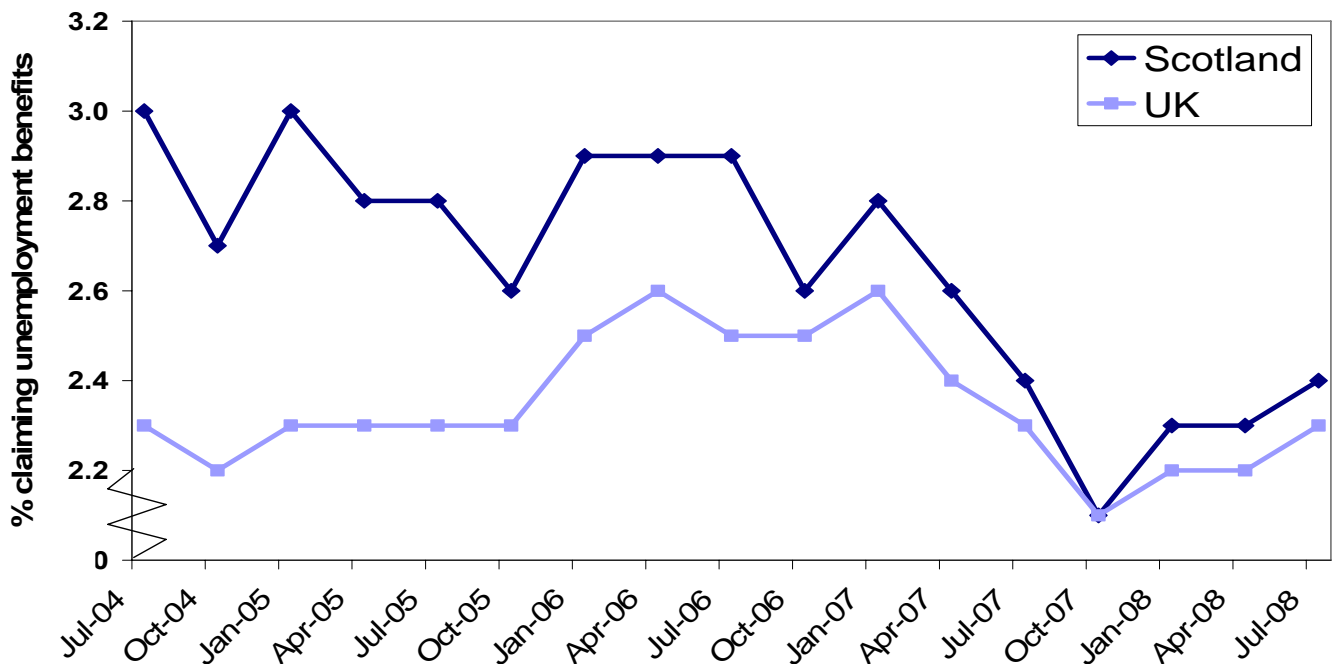
Source: Scottish Government (2008c)

- Almost half of the value of manufacturing exports is accounted for by engineering and allied industries (48.4%).
- A further quarter is accounted for by the food, drink and tobacco sector (25.8%).

³ Other manufacturing includes textiles, pulp and paper, metals and metal products which are shown separately in the official statistics.

3. LABOUR MARKET

- Over the month to July 08, the claimant count increased 0.1% in both Scotland and the UK to 2.4% and 2.3% respectively.
- Over the year to July 08, the claimant count decreased 0.5% in Scotland and 0.2% in the UK.



Source: Office for National Statistics (2008a)

Economic activity in Scotland (Labour Force Survey)

<i>Apr-Jun 08 (seasonally adjusted)</i>	<i>Rate</i>	<i>Change in rate over year</i>
<i>Economically Active</i>	79.1%	0.0%
<i>Of which:</i>		
<i>in employment</i>	74.8%	-0.1%
<i>unemployed</i>	5.4%	0.2%
<i>Economically Inactive</i>	20.1%	0.0%

Source: Office for National Statistics (2008b)

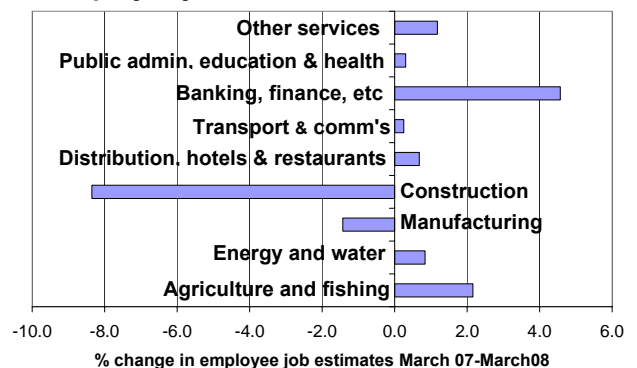
- The percentage of people economically active and economically inactive is the same in April-June 2008 as it was the previous year.
- However, the percentage in employment fell 0.1% and the percentage unemployed rose 0.2%.

Employee job estimates for Scotland

Sector	% of total
Agriculture & fishing	1.4
Energy & water	1.6
Manufacturing	9.2
Construction	5.5
Distribution, hotels & restaurants	22.5
Transport & communications	5.0
Banking, finance & insurance, etc.	19.0
Public admin, education & health	30.4
Other services	5.5
Total %	100.0
Total Number	2,377,459

Source: Office for National Statistics (2008c)

Employee job estimates for Scotland 07-08



Source: Office for National Statistics (2008c)

- Between March 2007 and March 2008 it is estimated that there was a rise in employment numbers within all sectors except construction and manufacturing.
- The largest percentage rise in employee numbers was within the banking, finance, etc sector.
- The largest percentage fall in employee numbers was within the construction sector.

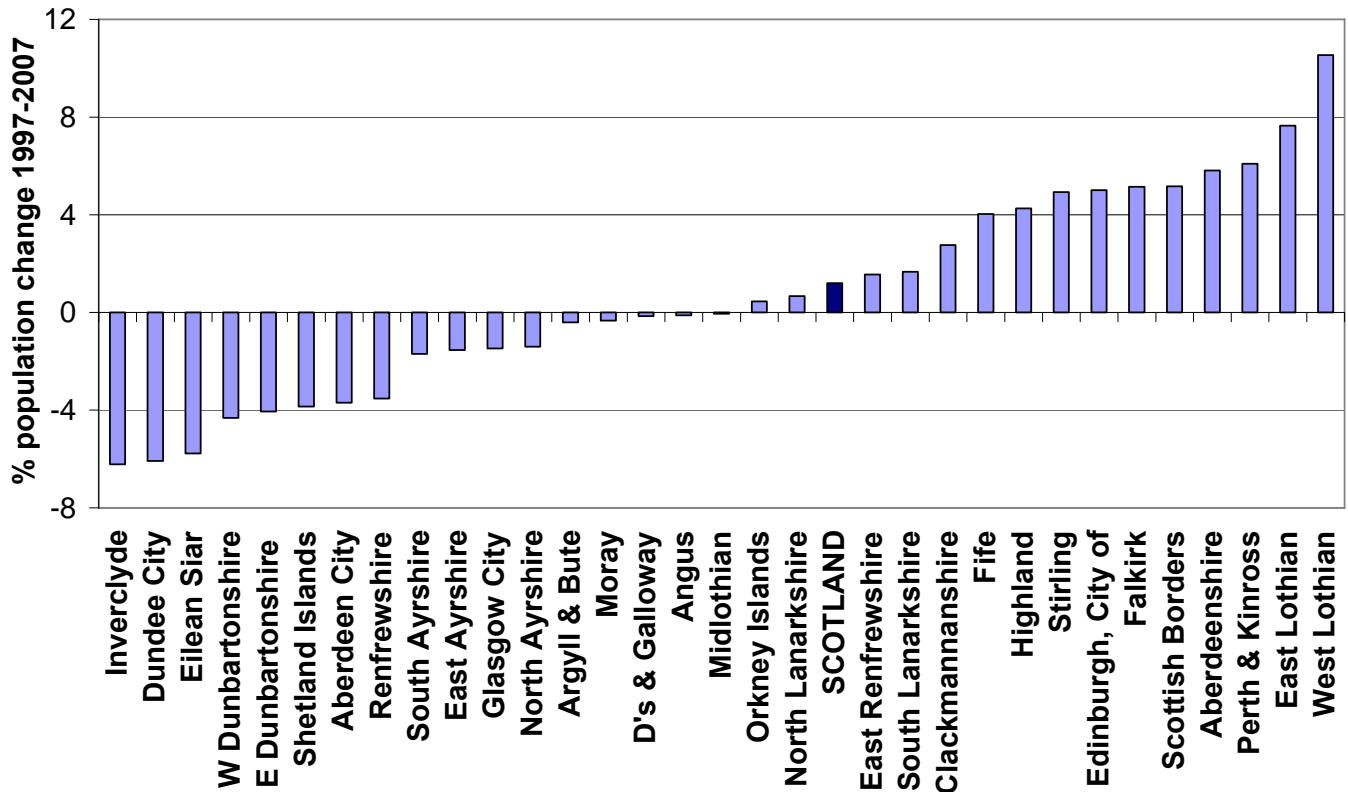
Job vacancies

The total number of Job Centre vacancies notified in July 2008 was 29,367. The largest percentage of vacancies is in banking, finance & insurance (47%). (Office for National Statistics, 2008d)

4. POPULATION CHANGE

- On 30 June 2007 the population of Scotland was estimated as 5,144,200, an increase of 27,300 on the previous year and the highest since 1983.
- Over the year to 30 June 2007, the number of births exceeded the number of deaths by 1,100. The last time that births exceeded deaths in Scotland was in 1996-97.
- Over the last year there was a net migration gain of 26,800, the largest net migration figure since current records started in 1952. There was a net gain of 8,800 people from the rest of the UK and a net gain of 16,800 people from overseas (including asylum seekers).

% population change by Local Authority 1997-2007



Source: General Register Office for Scotland (2008)

- Over the last decade, West Lothian had the highest percentage population increase at +10.5%.
- Inverclyde, Dundee City and Eilean Siar all had population decreases over -5.0%.

Population density

- The population density in Scotland was 66 persons per km², ranging from 8 persons per km² in Highland to 3,316 persons km² in Glasgow City (GROS, 2008).

Population by age

- The Scottish population, like many countries in the western world, is ageing. Between 1997 and 2007, the 0-15 age group fell by 9%, while the 45-59 age group increased by 14% and the 75 and over age group increased by 13% (GROS, 2008).

5. HOUSING MARKET

- A trend is emerging of house prices declining across the UK.
- In Scotland house prices have been slower to react to the credit crunch with some surveys still registering an increase in house prices over the last year. Nevertheless, over recent months the majority of the major surveys are showing a decline in house prices.

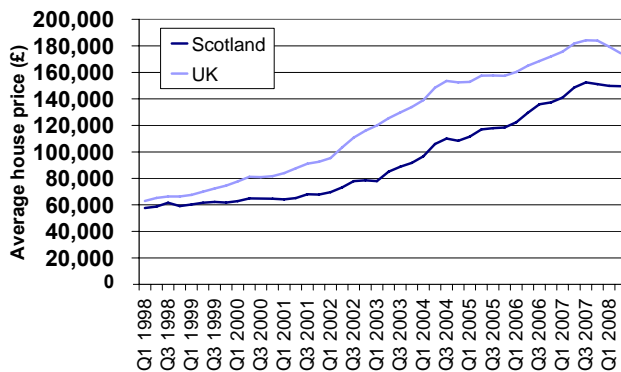
House price data

Survey source	Period	Scotland			UK		
		Av. House Price	Change in period	Annual Change	Av. House Price	Change in period	Annual Change
Nationwide	2008 Q2	£149,541	-1.8%	0.6%	£174,514	-3.4%	-4.0%
	July 2008	n/a	n/a	n/a	£169,316	-1.7%	-8.1%
Bank of Scotland	2008 Q2	£137,920	-4.5%	-2.1%	£185,625	-4.7%	-6.1%
	July 2008	n/a	n/a	n/a	£177,351	-1.7%	-8.8%
Lloyds TSB - Scottish House Price Monitor	July 2008	£172,185	1.6%	9.3%	n/a	n/a	n/a
Registers of Scotland	2008 Q1	£150,257	- 5.1%	+7.4%	n/a	n/a	n/a
Dept of Communities & Local Gov't	June 2008	£167,577	1.2%	+4.5%	£215,029	-0.7%	0.4%

Sources: Nationwide (2008); Halifax Bank of Scotland (2008); Lloyds TSB (2008); Registers of Scotland (2008); Department of Communities & Local Gov't (2008).

Note: Due to differences in survey methods, house price survey data show considerable variation in the level of prices in Scotland and the UK.

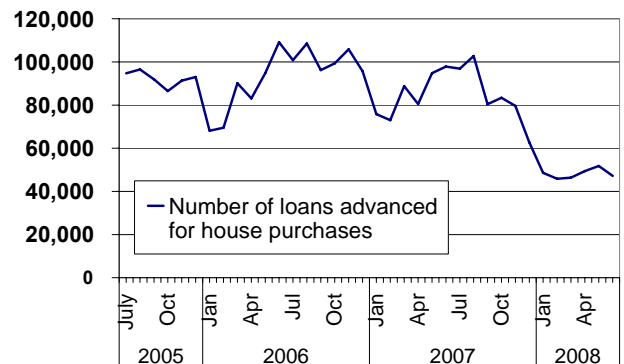
Average house prices 1998-2008



Source: Nationwide (2008)

- Nationwide reports that UK house prices have declined by 5.2% from their peak in Q3 2007 and Scottish house prices have declined by 1.9% since their peak in Q3 2007.
- Despite this, house prices have still only retreated to levels seen at the end of 2006 and start of 2007 and remain at historically high levels.

Loans for house purchases (UK)



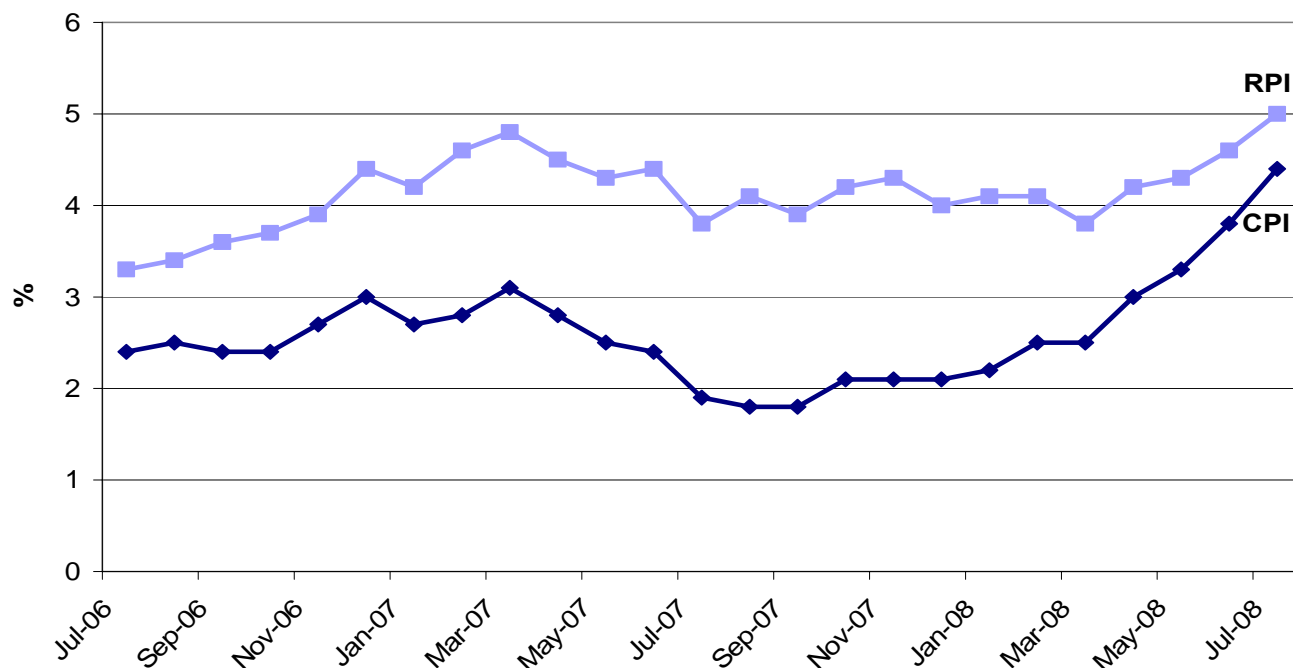
Source: Council of Mortgage Lenders (2008)

Note: No similar data is routinely published for Scotland

- There has been a decline in the number of loans advanced since the summer of 2007 with the number of loans made in June 2008 being 52% lower than a year earlier.
- There has been a similar decline in the value of loans advanced with the value of loans made in June 2008 being 53% less than the value in June 2007.
- A major factor in the decline in house prices has been the decline in the number and value of loans advanced.

6. INFLATION, INTEREST AND EXCHANGE RATES

- In the year to July 2008, the consumer price index (CPI) increased by 4.4%, up from 3.8% in June 2008. In the year to July 2008, the retail price index (RPI) increased by 5.0% up from 4.6% in June 2008.



Source: Office for National Statistics (2008e)

- This increase in inflation is more than twice the Bank of England target rate of 2%.
- The largest upward contribution to the change came from food and non-alcoholic beverages where prices rose 12.3% over the year.
- There were further upward large contributions from transport costs (which rose 8% over the year) and housing and household services (which rose 7.6% over the year) due to rising gas and electricity prices.
- Some commentators predict that inflation could increase further when the 30%+ electricity and gas price increases announced by British Gas and EDF (with other utilities expected to follow) work their way into the figures. Inflation is predicted to fall back sharply towards the middle of next year as oil prices come down, the contribution of retail food and energy prices on inflation reduces, and import prices fall (Bank of England, 2008a).

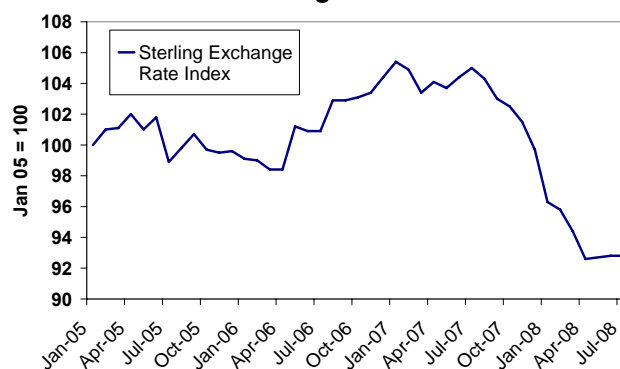
UK interest rates

Date	Rate (%)
Aug 06	4.75
Nov 06	5.00
Jan 07	5.25
May 07	5.50
July 07	5.75
Sep 07	5.75
Dec 06	5.50
Feb 08	5.25
Apr 08	5.00
Aug 08	5.00

Source: Bank of England (2008b)

- At its meeting on 7 August 2008, the Bank of England Monetary Policy Committee voted to keep the Bank Rate at 5.00%.

Exchange rates



Source: Office for National Statistics (2008f)

- A decline in the index represents a relative improvement in UK competitiveness (imports become more expensive and exports cheaper).
- Since July 2007 the index has been declining, but it has levelled out more recently.

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