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This post also appears on our Nowcasting blog: <http://www.nowcastingscotland.com>

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As usual at the start of the month we update our latest nowcasts of the economic performance of Scottish economy.

Our model produced the following estimates for the third (Jul-Sept) and fourth (Oct-Dec) quarters of 2016:

- Our latest nowcast for GVA growth in 2016 Q3 is 0.37% which, at an annual rate, is 1.48%.
- Our first nowcast for GVA growth in 2016 Q4 is 0.37% which, at an annual rate, is 1.47%.

This month's results are broadly consistent between Q3 and Q4, but our Q3 estimate has been revised down *very* slightly from last month. This month's estimates are the 4<sup>th</sup> estimates for Q3. At the outset of this project, our model testing indicated that the fourth nowcast was the most accurate, so this estimate can be considered our 'best guess' about the performance of the Scottish economy in 2016 Q3. Note, we do not yet have data for the first month of the final quarter of 2016, these will be included in our next nowcast.

The recently [released data](#) from the Scottish Government for 2016 Q2 surprised on the upside, with growth of 0.4% (0.35%, unrounded). These were in line with our nowcasts for 2016 Q2. Nevertheless, with the closure of the Longannet coal-fired power plant at the end of Q1, we were expecting a reduction of up to 0.4% in GDP growth. As it turned out, the reduction in GVA growth as a result of Longannet closing was estimated at 0.2% by Scottish Government statisticians. As we noted at the time, this was a one-off event and will have no consequence on Scottish growth in future quarters.

The first estimate of UK growth in the third quarter of 2016 in the [UK economy came in](#) above expectations at 0.5%, albeit slightly down from the growth (+0.7%) seen in the second quarter. The final estimate of Q3's growth for the UK will be revised, either up or

down, as new data become available but it is worth noting that the stronger than expected overall growth did mask a contraction in the manufacturing sector, and [the sharpest quarterly decline](#) in construction output since 2012.

Bringing this all together, our nowcast for Q3 and the initial estimate of UK growth in this quarter suggests that the Scottish economy is continuing to grow more slowly than the UK economy. As noted elsewhere (see the FAI publication "[Scotland's Budget](#)") with the link between relative economic performance and the size of the block grant adjustment, this is a cause for ongoing concern.