



UNIVERSITY of STRATHCLYDE
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Scotland's Economy: 2017

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Outline

- Our take on how the Scottish economy is doing.
- Recent developments & what we think the outlook is like for Scotland.
- Highlight some of the key longer term trends.....

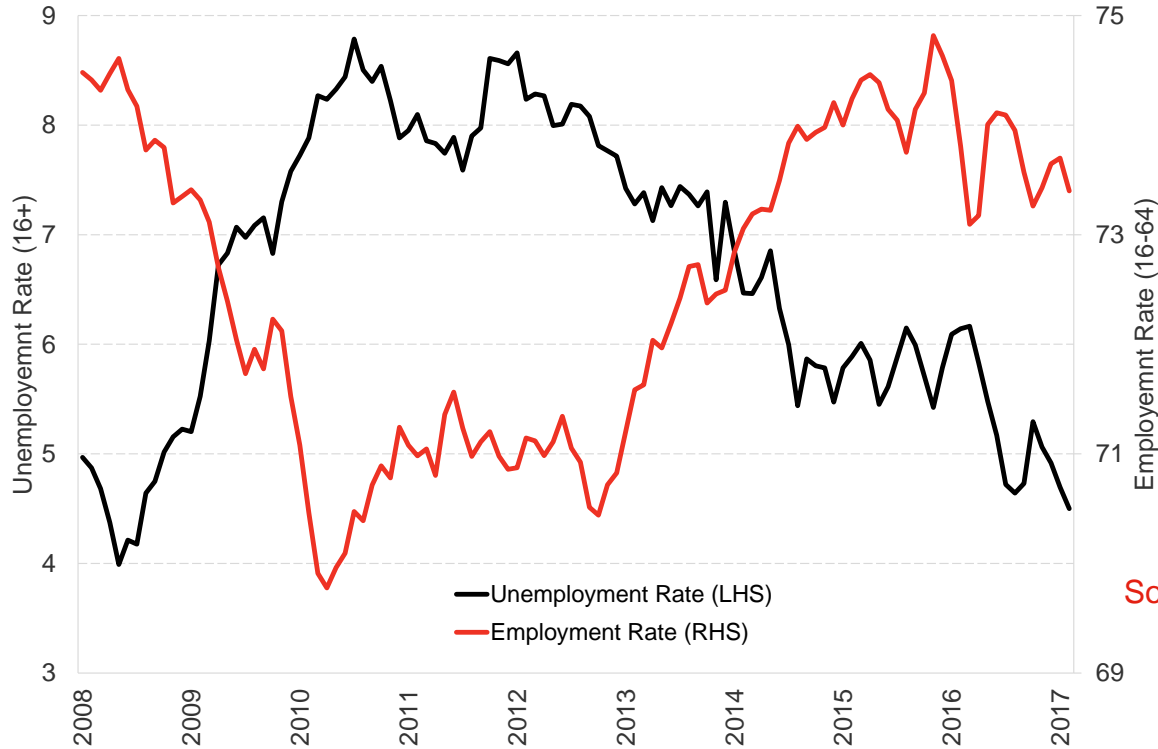
.....many of which will be familiar to those with an interest in the Scottish economy over the years but which have fallen off the agenda in recent times.

Growth in 2016?

- Scottish economy grew 0.0% in 2016.
- Alternative measure based upon 4Q-on-4Q: growth of +0.4%...
 - 4Q-on-4Q is the sum of the entire 4 quarters this year compared to the sum of last year's 4 quarters. If you have growth one year but none the next, the 4Q-on-4Q figure will always be positive!! And vice versa.

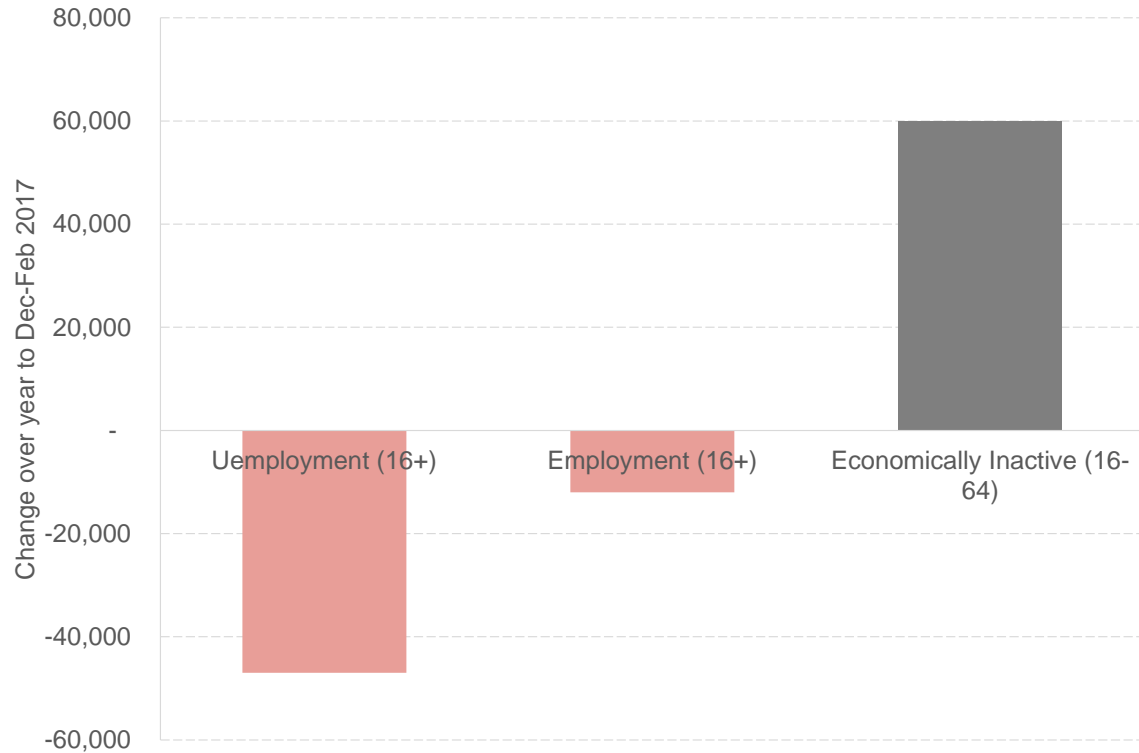
Think of it like walking up a hill and reaching a plateau. You're no longer going up!

A resilient labour market?



Source: ONS

But beneath the headlines some challenges.....



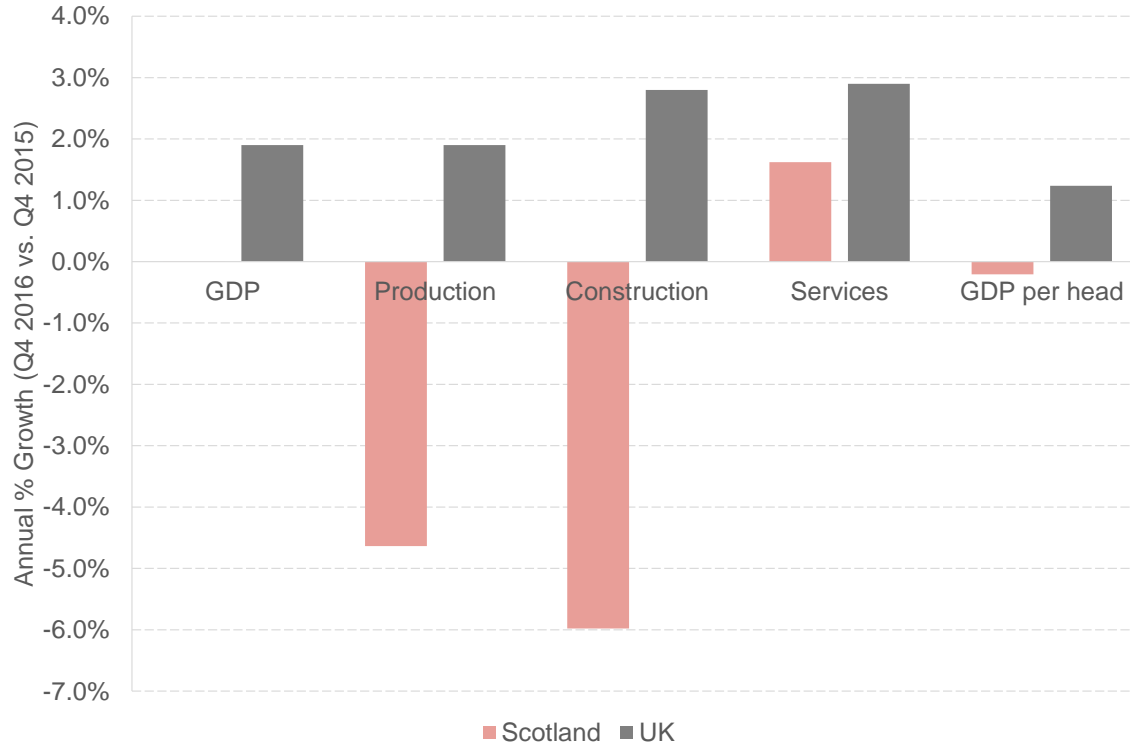
Source: ONS

Explanation 1: Challenges in oil and gas



Source: Scottish Government

Explanation 2: Wider challenges???



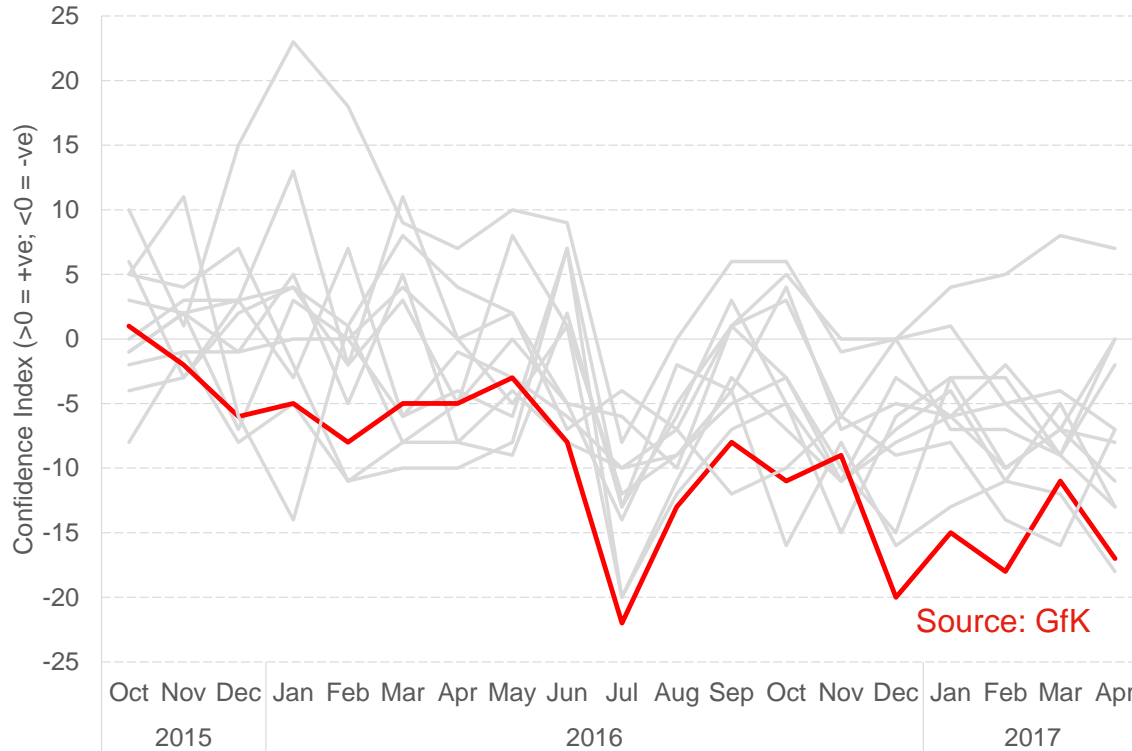
Source: Scottish Government

Explanation 3: Economic confidence in Scot.....



Source: Scottish Government

Explanation 3: Consumer confidence in Scot.....



Scotland = Red

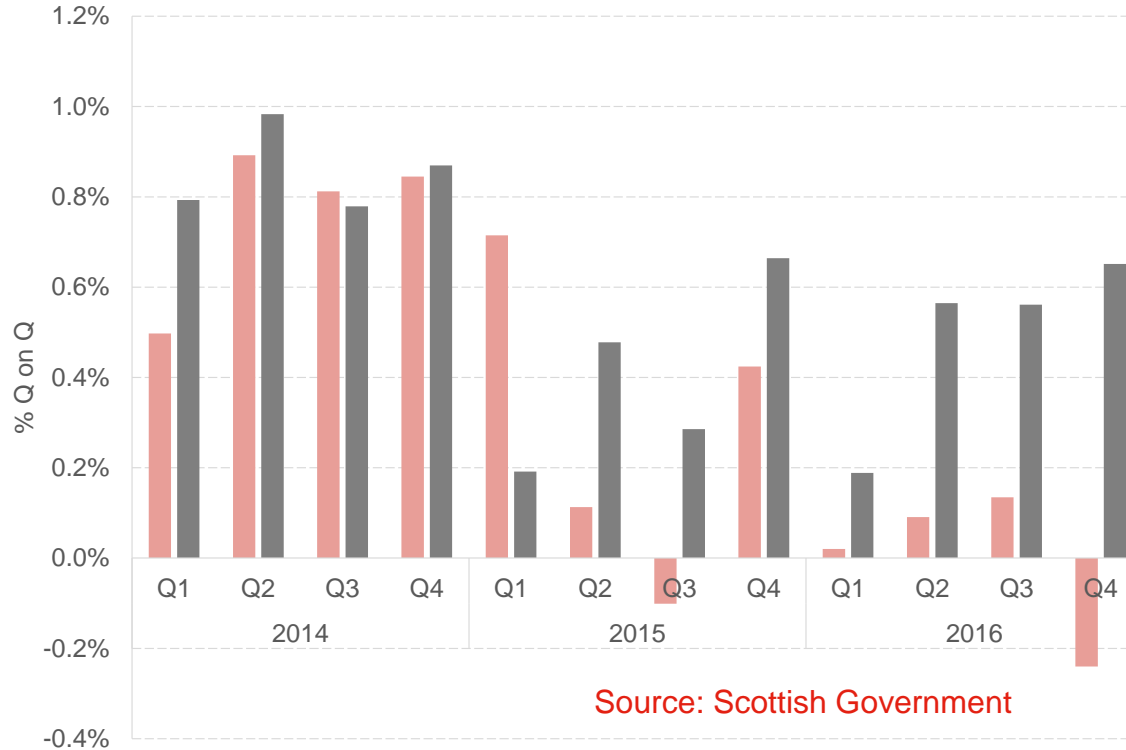
Other UK nations &
regions = Grey

PMI for Scotland
been lowest amongst
UK nations/regions
since Sep 16

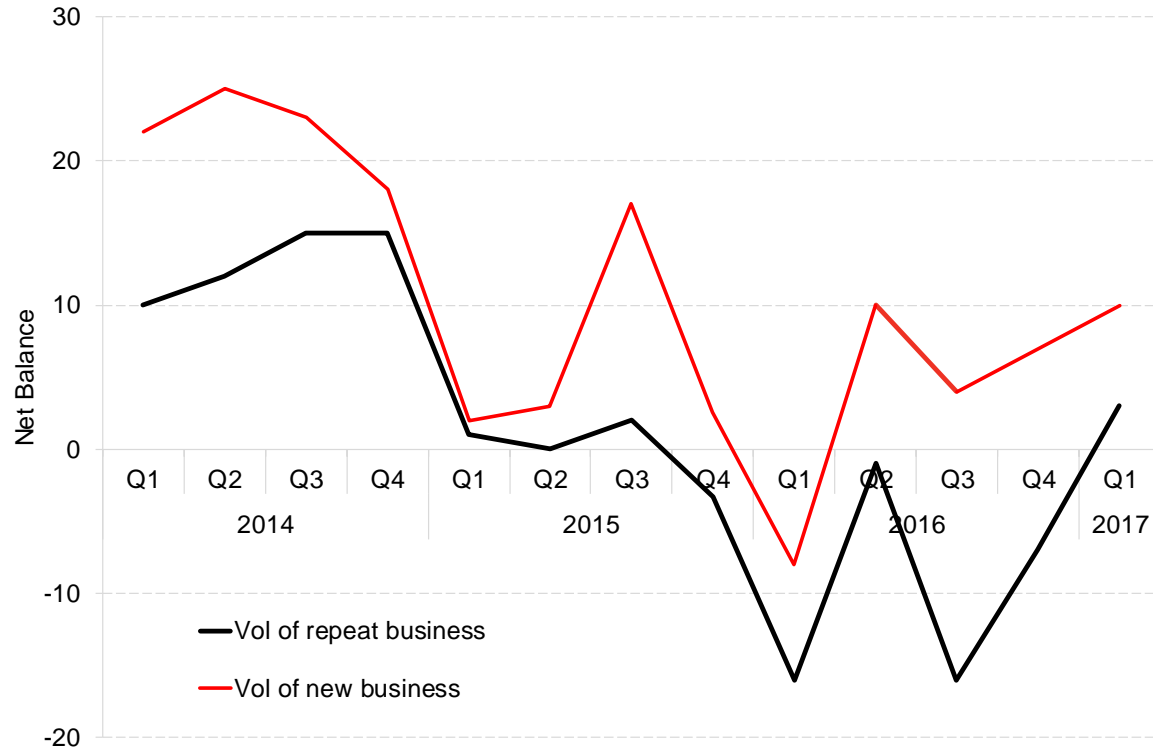
Explanation 4: Brexit

- Back in July, we argued that Brexit uncertainty would act as headwind on Scottish economy.
- Predicted relatively fragile growth over 2016, 2017 and 2018.
- But undoubtedly true that UK economy has held up much better than most anticipated.....
but challenges beginning to emerge.....strength of consumer scaled back
- Hard to fully explain Scotland's weak performance is just driven by Brexit uncertainty.

Scotland vs. the UK.....



Signs of a more +ve outlook – RBS Business Monitor

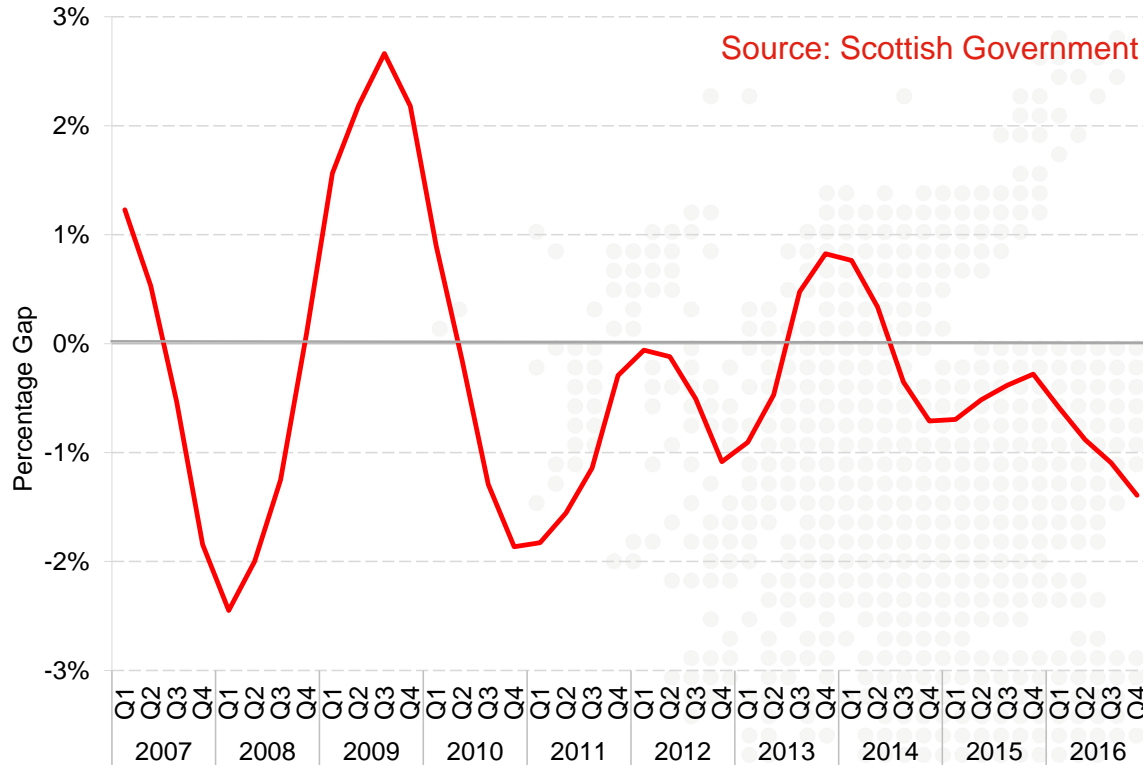


Source: Royal Bank of Scotland/FAI

Long-term trends

- Talk back in at start of financial crisis of a possible 'lost decade'.
- Over the last 10 years, output per head in Scotland – a key measure of economic progress – has grown by just 1.2% (from Q4 2006 to Q4 2016). UK equivalent is 4.2%.
- To put that in context, between Q4 1999 and Q4 2006, output per head in Scotland grew 17%
- It's nearly 10 years since ambitious targets were set for Scotland's economy. So.....how are we doing compared to these key Purpose targets?

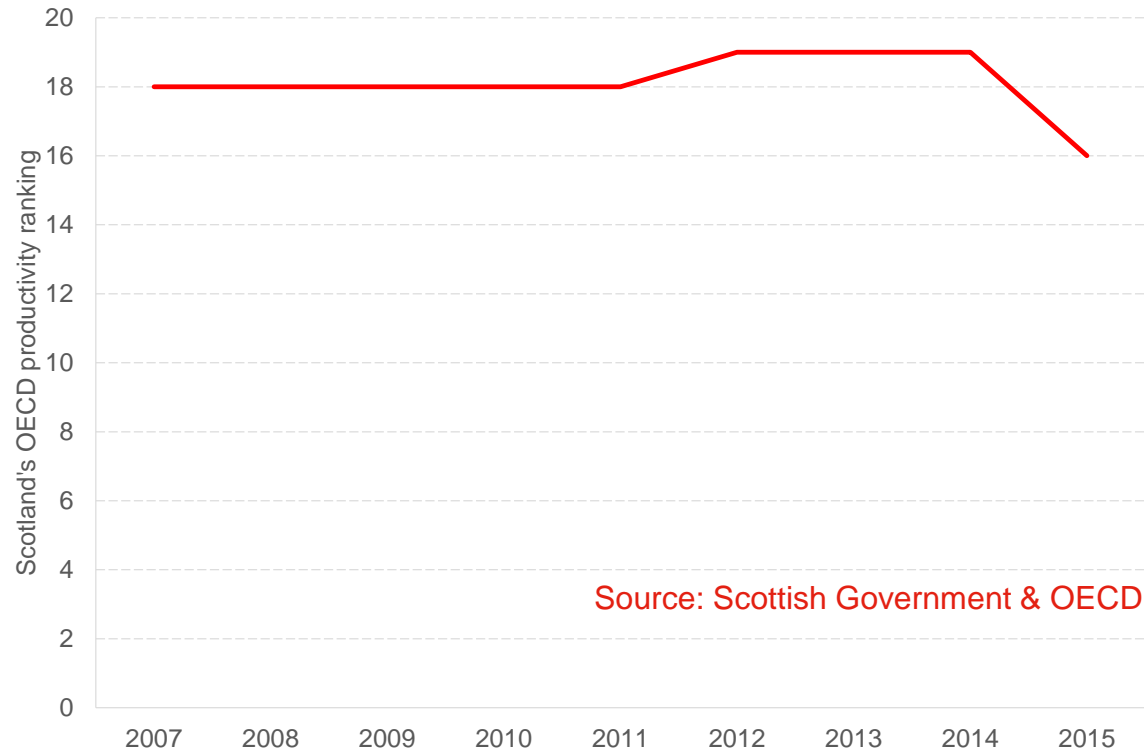
Matching UK & EU economic performance



In only 12 (of 40) quarters since 2007 has Scotland's annual growth been the same/better than UK.

Roughly 50:50 when compared to small EU....but current small EU growth 2.4% vs. 0.4% for Scotland

Productivity: To rank in top quartile in OECD by 2017



Scotland has caught up with UK.

Scotland slipped into 3rd quartile but back in 2nd in 2015.

Likely to fall in 2016 given weak data.

Productivity still 20% below top quartile

Participation: To maintain position as top performing country in UK

Labour market, Dec-Feb 2017

	Employment (16-64)	Unemployment (16+)	Inactivity (16-64)
Scotland	73.4	4.5	23.0
England	75.0	4.7	21.2
Wales	73.0	4.9	23.2
N. Ire	68.8	5.2	27.3
UK	74.6	4.7	21.6

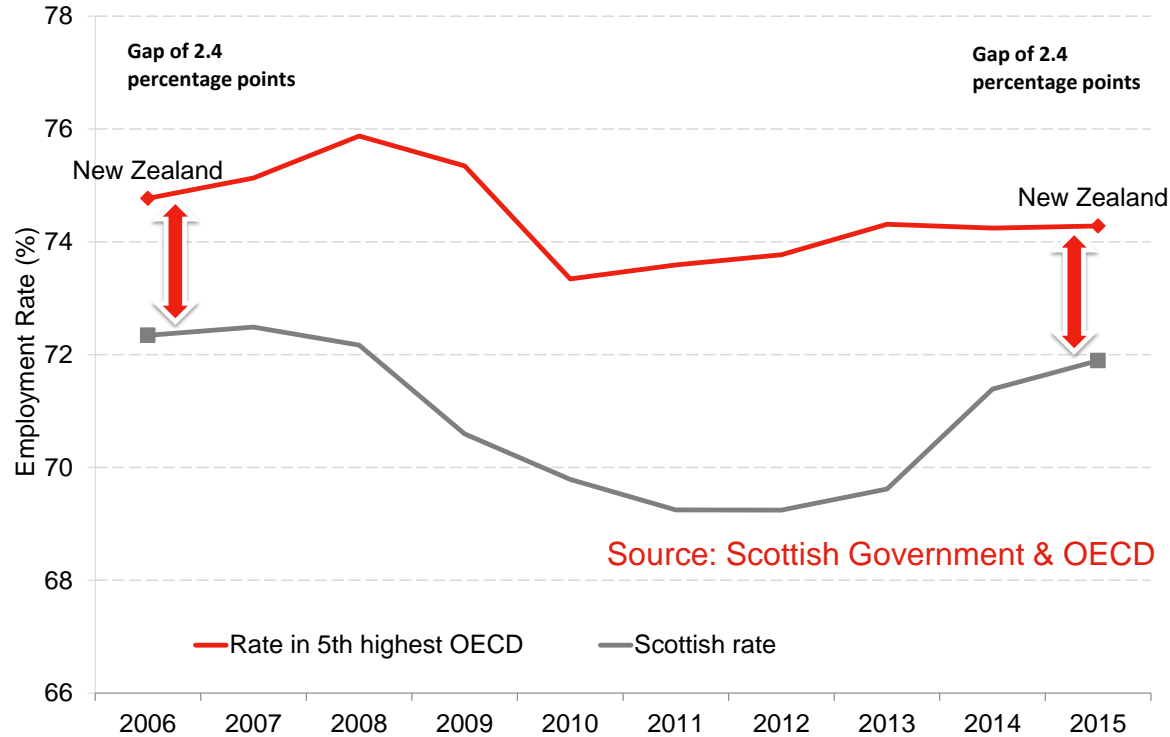
Source: ONS

In 2007, Scotland had the highest employment rate of UK nations.

England now 1.6 %-points ahead.

Scotland slightly better on unemployment but weaker on inactivity

Participation: To close gap with top 5 OECD

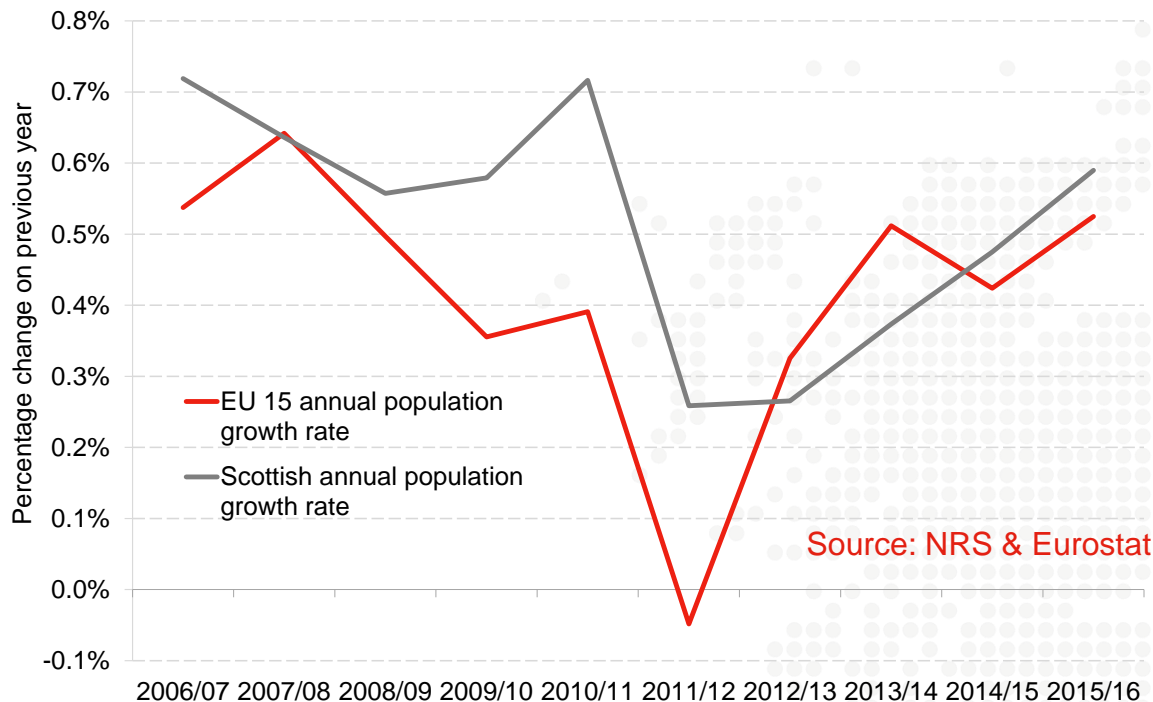


Latest data used to monitor target covers up to 2015.

Gap = identical.

Cohesion target:
Still >15%-point
difference between
top and worst
performing local
authorities

Match average EU15 population growth over period from 2007 to 2017



One area where evidence of Scotland doing better.

Driven in part by ongoing migration into Scotland – potential challenges if Brexit imposes constraints.

Conclusions

- Scotland's economy held up remarkably well during the financial crisis but recovery has remained fragile. Challenges in North Sea have undoubtedly acted as a headwind.
- That being said, policymakers will be concerned about the outlook for the Scottish economy particularly with the new tax powers meaning that future Scottish budgets will depend on revenues generated in Scotland.

WINNER

THE AWARDS
2016

The word 'THE' is rendered in large, bold, block letters. Each letter is a different color: 'T' is red, 'H' is purple, and 'E' is blue. Inside each letter, the words 'TIMES', 'HIGHER', and 'EDUCATION' are written vertically in white, corresponding to the letters T, H, and E respectively.

BUSINESS SCHOOL OF THE YEAR