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Introduction

"The Scottish economy does not stand still, but is in a continual state of change. Its progress is tracked using basic statistical information that allows the estimation of our current economic performance and our overall prosperity.

"These estimates are subject to a host of factors, direct and indirect, that have to be taken into account and placed in the context of the UK and the wider world before an accurate picture can emerge.

"This factsheet contains the latest GDP figures and other data that combine to produce the broad picture of the Scottish economy. It aims to provide a basic grounding for anyone interested in understanding the fundamental characteristics and recent trends of the Scottish economy.

"The Office of the Chief Economic Adviser is keen to encourage debate and the widest possible dissemination of reliable statistical knowledge."



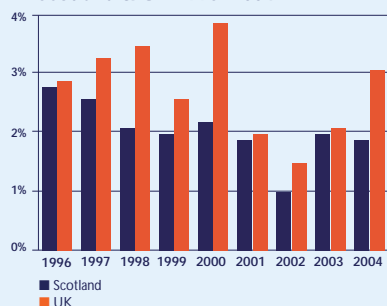
Andrew Goudie

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Chief Economist



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Annual GDP Growth
Scotland & UK 1996 -2004



Gross Domestic Product (GDP)

GDP is a commonly used measure of the performance and prosperity of a country. A description of the relevant indicators can be found at www.statistics.gov.uk.

Some key statistics on the latest Scottish GDP Data for 2004 Q4:

- GDP rose by 2 per cent over the year to 2005 Q1 and remained constant (in percentage terms) over the first quarter of 2005 (seasonally adjusted).
- Over the year to 2005 Q1, annual output in the Scottish service sector grew by 2.6 per cent, compared with a 0.4 per cent decrease in the production sector and a 3.2 per cent rise in construction.
- Over the quarter, output in the Scottish service sector grew by 0.6 per cent, compared to a 2.3 per cent decrease in the production sector and a 0.3 per cent rise in construction.

Manufacturing Sector

The manufacturing sector saw a decline of 1.2% over the latest quarter. Over the year to 2005 Q1, the sector has shown an overall decline of 0.3%. Food and drink manufacturers displayed growth in 2005 Q1 (+1.3%). However, all other manufacturing sub-sectors declined over the quarter:

- Metals and metal products (-5.2%);
- Textiles, footwear, leather and clothing (-3.1%);
- Engineering and Allied Industries (-1.9%);
- Refined petroleum products & nuclear fuel (-0.4%); and
- Other manufacturing (-0.4%)

Service Sector

The service sector grew by 0.6% over the quarter and continues to be the main source of growth in the Scottish economy. With the exception of financial services and communications growth was seen across almost all sub sectors, particularly:

- Hotels & catering (+2.4%)
- Real estate and business services (+1.2%)
- Other services (+0.8%)

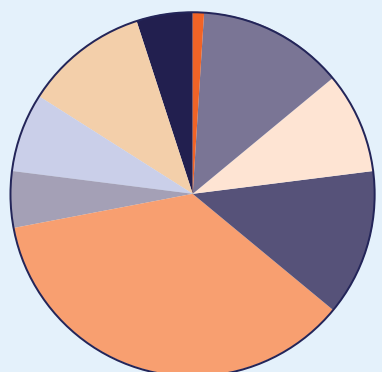
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Scottish Exports by Industry, 2002



■ Primary Industries	1%
■ Manufacture of Food & Drink	13%
■ Chemicals & Mineral Products, Rubber & Plastic	9%
■ Metals, Metal Goods, Mechanical Engineering & Transport Equipment	13%
■ Electrical & Instrument Engineering	36%
■ Other Manufacturing	5%
■ Wholesale & Retail, Hotels & Restaurants	7%
■ Business Services & Finance	11%
■ Other Services	5%

Index of Manufacturing Exports
1997 Q1-2004 Q3 (2001=100)



Scotland's Exports

The Scottish Executive publishes two sets of statistics on exports: the annual Global Connections Survey, which covers all sectors and estimates sales by destination, and the quarterly Scottish Manufactured Exports series.

www.scotland.gov.uk/exports

Scotland's Global Connections Survey

Key statistics:

- In 2003, total Scottish exports were provisionally estimated to be £18.7 billion, of which 70 per cent (£13.1 billion) were attributable to manufacturing.
- The value of exports to the European Union was estimated at £10.1 billion (54 per cent) with a further £8.5 billion (46 per cent) going to the rest of the world.
- The top destination for Scottish exports in 2003 was the USA, which accounted for an estimated £2.5 billion exports (13 per cent of total exports). This was followed by Germany which accounted for an estimated £1.9 billion exports (11 per cent of total exports).
- In 2003, the top five exporting sectors were food & beverages (£3.2 billion – of which spirits accounted for 80 per cent), business services (£2.4 billion), radio/television and communication equipment (£1.8 billion), office machinery (£1.6 billion), and chemicals (£1.2 billion). Overall these sectors accounted for 58 per cent of total exports. In 2002, office machinery was the largest sector with exports of £3.5 billion.

Manufactured exports

Key statistics:

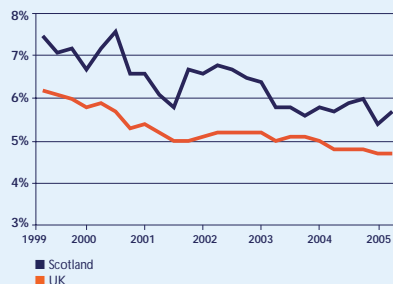
- Scottish manufactured export sales fell by 2.3 per cent in real terms over the quarter to 2005 Q1 and decreased by 2.1 per cent over the last 4 quarters.
- Since 2001, the level of manufactured export sales has fallen by 26.5 per cent in real terms.
- Over the quarter, the main industries performing positively were drink (+6.9%), chemicals (+5.3%) and 'other manufacturing' (+6.5%).
- Electrical & instrument engineering (E&IE) fell by 8.6% over the quarter. Large reductions in export sales were also seen in transport equipment (-9.8%) and mechanical engineering (-8.3%).
- Over the year, E&IE was the main contributor to the decline in export sales, with a fall of 15.2 per cent. Chemicals (-1%) and textiles, fur and leather (-0.5%) also contributed to the annual decline, but to a lesser extent. All other published industries grew over the year.

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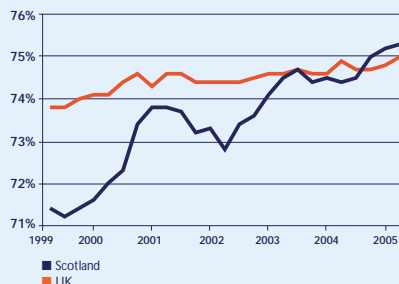


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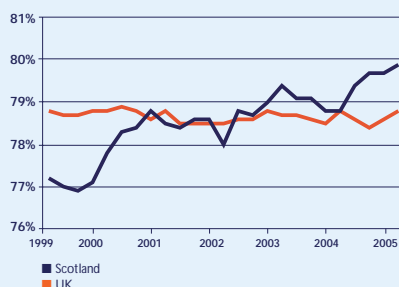
**Unemployment Rates (16 & Over):
Scotland & UK 1999-2004**



**Employment Rates (16-59/64):
Scotland & UK 1999-2004**



**Activity Rates (16-59/64):
Scotland & UK 1999-2004**



Labour market

Labour Market statistics are compiled from a wide range of sources. Claimant count and Jobcentre vacancy data are provided from the Jobcentre Plus administrative system, work force jobs are derived from ONS business surveys, other data comes from the ONS Labour Force Survey (LFS).

Key statistics:

Employment:

- Seasonally adjusted employment in Scotland over the period July-September 2005 stood at 2,455,000; an increase of 9,000 on the previous three-month period and 5,000 over the year. Among those aged 16-59/64, the employment rate was 75.2 per cent; up 0.2 percentage points on the previous three-month period, and up 0.2 percentage points over the year.

Unemployment:

- Seasonally adjusted unemployment in Scotland over the period July-September 2005 stood at 140,000; this was down 3,000 over the previous three-month period, but up 5,000 over the year. Among those aged 16 & over, the unemployment rate was 5.4 per cent; down 0.1 percentage points over the previous three-month period, but up 0.2 percentage points over the year.

Jobseekers Allowance:

- The seasonally adjusted numbers claiming Jobseeker's Allowance in Scotland in October stood at 85,900; up 100 from the previous month, but down 4,200 over the year. The claimant rate was 3.3 per cent, unchanged from the previous month and down 0.2 percentage points compared with a year earlier.

Economically Active:

- The number of economically active (in employment or ILO unemployed, seasonally adjusted) in Scotland in the period to July-September 2005 stood at 2,595,000; up 6,000 on the previous three-month period, and up 10,000 over the year. Among those aged 16-59/64, the economic activity rate was 79.6 per cent; up by 0.1 percentage points over the previous three-month period and up 0.3 per cent over the year.

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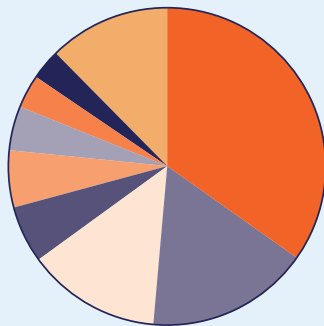


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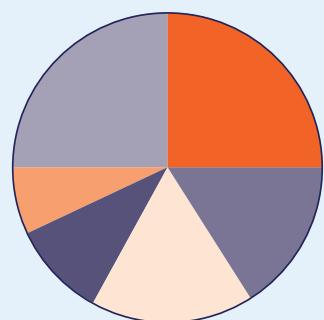
'Estimate of inflow and outflow of resources through UK budgetary process.'

Aggregate expenditure in Scotland, 2002-03



Social Security	34.8%
Health	16.6%
Education and training	13.6%
Public order and safety	5.8%
Defence	5.8%
Debt interest	4.5%
General public services	3%
Transport	23%
Other Expenditure	12.4%

Aggregate revenues in Scotland, 2002-03



Income tax (after tax credits)	24.9%
Social Security Contributions	16.6%
VAT	16.4%
Local Authority revenues	10.1%
Corporation tax (excl. North Sea)	6.8%
All other revenues	25.3%

Scotland's fiscal position

The Scottish Executive publishes an annual analysis of Scotland's public finances (latest – Government Expenditure and Revenue in Scotland, 2002-03). It estimates the inflows of resources to Scotland and the outflow of resources from Scotland that are directed through the UK Government's budgetary process.

On the expenditure side, the report encompasses more than the spending carried out through the Scottish Executive budget alone. It also includes spending made by UK Government for the benefit of Scotland (defence, for example).

In 2002-03:

- Total expenditure for Scotland is estimated at £40.9 billion or 9.8 per cent of the UK total.
- Total receipts (excluding North Sea revenues) in Scotland are estimated at £31.6 billion, equivalent to 8.1 per cent of total UK receipts (excluding North Sea revenues).
- The difference between aggregate spending and aggregate revenue (Net Borrowing) attributable to Scotland is estimated at £9.3 billion in 2001-02 (excluding North Sea revenues), equivalent to 11.3 per cent of Scottish GDP (excluding North Sea output).

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Economic organisations and contacts

HM Treasury is the government department responsible for UK financial and economic policy. www.hm-treasury.gov.uk

The Bank of England is the central bank of the United Kingdom. www.bankofengland.co.uk

National Statistics Online is the UK's home of official statistics reflecting Britain's economy, population and society. www.statistics.gov.uk

Organisation for Economic Co-operation and Development (OECD)
Groups 30 countries sharing a commitment to democratic government and the market economy. www.oecd.org

Scottish Enterprise is the country's main economic development agency. www.scottish-enterprise.com

Highlands and Islands Enterprise is the economic development agency for the North and North West of Scotland. www.hie.co.uk

The Fraser of Allander Institute is the main economic research unit of the University of Strathclyde. www.fraser.strath.ac.uk

Scottish Economy Policy Network (Scotecon) is a network of economists based in Scotland's 12 universities aiming to stimulate academic research on the Scottish economy. www.scotecon.net

The **Scottish Council Foundation** develops thinking and practice on economic and social issues. www.scottishcouncilfoundation.org

The **Economic and Social Research Council** is the UK's leading research funding and training agency addressing economic and social concerns. www.esrc.ac.uk/index.asp

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