This briefing provides the latest data for a selection of indicators from which we are able to identify trends within the Scottish economy. An audio summary of this briefing is also available.

A summary of the latest movement being displayed by each indicator is shown below.

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Value Added (GVA)</td>
<td>total output increased by 0.1% during Q1 2011</td>
</tr>
<tr>
<td>Unemployment</td>
<td>unemployment remained at 7.7% for the period Apr - Jun 11</td>
</tr>
<tr>
<td>House prices</td>
<td>seasonally adjusted surveys report an increase over Q2 2011</td>
</tr>
<tr>
<td>UK inflation</td>
<td>inflation in July was 4.4%, up on the previous month</td>
</tr>
<tr>
<td>Interest rates</td>
<td>the Bank of England maintained the bank rate at 0.5% in September</td>
</tr>
<tr>
<td>Population</td>
<td>2010 mid-year estimates show a considerable increase in population</td>
</tr>
</tbody>
</table>

Each economic indicators publication includes a guest indicator. This edition focuses on population trends in Scotland.

The next update of Economic Indicators will be issued in December 2011.
1. ECONOMIC GROWTH (GROSS VALUE ADDED)

- Total output of the Scottish economy measured by Gross Value Added (GVA) is estimated to have grown by 0.1 percent during the first quarter of 2011. The UK saw GDP grow by 0.5 percent over the same period.
- The small increase in quarter one in Scotland was driven by growth in the services sector (0.3%), and the production sector (0.9%).
- However, both the construction (-3.6%) and agriculture, forestry and fishing sectors (-0.2%) experienced decreases in GVA over the quarter.

Seasonally adjusted GVA by sector (2007=100)

<table>
<thead>
<tr>
<th>Global economic outlook: GDP growth %</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Developing Asia</td>
<td>8.4</td>
<td>8.4</td>
</tr>
<tr>
<td>World</td>
<td>4.4</td>
<td>4.5</td>
</tr>
<tr>
<td>US</td>
<td>2.8</td>
<td>2.9</td>
</tr>
<tr>
<td>UK</td>
<td>1.7</td>
<td>2.3</td>
</tr>
<tr>
<td>Euro Area</td>
<td>1.6</td>
<td>1.8</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Scottish &amp; UK economic outlook: GDP growth %</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fraser of Allander Institute (June 2011)</td>
<td>0.8</td>
<td>n/a</td>
</tr>
<tr>
<td>Cambridge Econometrics (July 2011)</td>
<td>1.4</td>
<td>1.6</td>
</tr>
<tr>
<td>ITEM Club (Summer 2011)</td>
<td>1.7</td>
<td>1.8</td>
</tr>
<tr>
<td>Experian (Spring 2011)</td>
<td>1.0</td>
<td>1.3</td>
</tr>
<tr>
<td>Average</td>
<td>1.2</td>
<td>1.6</td>
</tr>
</tbody>
</table>

The IMF’s World Economic Outlook published in April 2011 outlined the global economic outlook by stating: “Downside risks continue to outweigh upside risks. In advanced economies, weak sovereign balance sheets and still-moribund real estate markets continue to present major concerns, especially in certain euro area economies; financial risks are also to the downside as a result of the high funding requirements of banks and sovereigns. New downside risks are building on account of commodity prices, notably for oil, and, relatedly, geopolitical uncertainty, as well as overheating and booming asset markets in emerging market economies. However, there is also the potential for upside surprises to growth in the short term, owing to strong corporate balance sheets in advanced economies and buoyant demand in emerging and developing economies”.

Sources: Scottish Government (2011a); International Monetary Fund (2011)

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

- During the three months to June, the official unemployment rate in Scotland stayed level at 7.7%, compared to a small increase in the UK unemployment rate of 0.1 percentage points to 7.9%. The claimant count, a narrower but more up to date measure of unemployment shown in the chart below, fell to 4.1% in April, but rose again in July to its previous level of 4.3%. This compares to 3.8% across the UK as a whole.

Geographic snap-shot

- There is considerable geographical variation in the claimant count rate across Scottish Parliament constituencies.
- The figures for July 2011 range from as high as 7.7% in Glasgow Maryhill & Springburn and 7.5% in Glasgow Provan to as low as 1.0% in Aberdeenshire West and 1.2% in Aberdeenshire East.
- The Linlithgow, Ayr, Falkirk East and Glasgow Kelvin constituencies have a claimant count rate around that of the overall rate for Scotland (4.3%).

Job vacancies

- The total number of Jobcentre live unfilled vacancies in July 2011 was 15,244. This is lower than the number of live unfilled vacancies in July 2010 (18,061).
- The number of live unfilled vacancies is still at a historically low level, with the current number less than half the April 2008 level (31,592).

Economic activity in Scotland (Labour Force Survey)

<table>
<thead>
<tr>
<th>Period</th>
<th>Economically Active</th>
<th>Rate</th>
<th>Change in rate over year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apr – Jun 11</td>
<td>78.0%</td>
<td>1.1% points</td>
<td></td>
</tr>
<tr>
<td>(seasonally adjusted)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>in employment</td>
<td>71.9%</td>
<td>1.6% points</td>
<td></td>
</tr>
<tr>
<td>unemployed *</td>
<td>7.8%</td>
<td>-0.7% points</td>
<td></td>
</tr>
<tr>
<td>Economically Inactive</td>
<td>22%</td>
<td>-1.1% points</td>
<td></td>
</tr>
</tbody>
</table>

- The percentage economically active in Scotland over the period Apr - June 11 is 1.1 percentage points higher than a year earlier, with a corresponding fall in the percentage economically inactive.

Over the last year, full-time employment has been falling while the number of part-time workers has been rising.
3. HOUSING MARKET

- Registers of Scotland data shows there has been an increase in house prices over the quarter to Q2 2011, with other seasonally adjusted surveys showing similar trends.

- Three of the surveys in the table below are still showing a decline in house prices in Scotland over the year. Martin Ellis, housing economist with Halifax, predicted the market would “continue over the rest of the year with little genuine direction in either house prices or sales. Sustained low interest rates and a slowly improving economy should help to support demand in the face of pressures from weak earnings growth, relatively high inflation and higher taxes.” (Halifax 2011a).

### House price data

<table>
<thead>
<tr>
<th>Survey source</th>
<th>Period</th>
<th>Scotland Av. House Price</th>
<th>Quarterly change</th>
<th>Annual Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dept of Communities &amp; Local Gov.</td>
<td>Jun 2011</td>
<td>£162,363</td>
<td>n/a</td>
<td>-3.6%</td>
</tr>
<tr>
<td>Halifax</td>
<td>Q2 2011</td>
<td>£120,951</td>
<td>1.6%</td>
<td>-3.2%</td>
</tr>
<tr>
<td>Nationwide</td>
<td>Q2 2011</td>
<td>£139,447</td>
<td>2.9%</td>
<td>-3.2%</td>
</tr>
<tr>
<td>Registers of Scotland</td>
<td>Q2 2011</td>
<td>£153,820</td>
<td>5.2%</td>
<td>0.4%</td>
</tr>
</tbody>
</table>

Sources: Dept of Communities & Local Gov't (2011); Halifax (2011b); Nationwide (2011a); Registers of Scotland (2011).

Note: Due to differences in survey methods, house price survey data show considerable variation in the level of prices in Scotland. Registers of Scotland data shown here is not seasonally adjusted.

- According to Nationwide, seasonally adjusted house prices rose by 2.9% in Scotland and rose by 2.7% in the UK as a whole over the quarter to Q2 2011. Within Scotland there was a mixed picture. Aberdeen City, Aberdeenshire and Moray were the only sub-regions to see prices rise over the quarter. Dundee & Angus, Fife, and Renfrewshire & Inverclyde saw the greatest decline in prices (between -8% and -11%).

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### Average house prices 2005-2011 (Scotland & UK)

![Average house prices 2005-2011](source: Nationwide (2011b))

- There was a significant increase in house purchase lending in June 2011 building on the increase seen in April and May. However lending in June 2011 is still down on lending in June 2010 (-11%).

Commenting specifically on the Scottish situation, Kennedy Foster, policy consultant for CML Scotland, made the following observation: “We have seen the expected seasonal increase in mortgage activity in Scotland in the second quarter of 2011, but levels of mortgage activity remain at low levels by historical standards. With the uncertain economic outlook we expect this to continue for the rest of the year.” (CML, 2011)
4. INFLATION, INTEREST AND EXCHANGE RATES

Despite an unexpected slowdown in inflation in June 2011, inflation (CPI) rose over the month to reach 4.4% in July. Upward pressures came from financial services, clothing, furniture and housing rent. Main downward pressures came from food and non-alcoholic beverages.

![Graph showing CPI and RPI inflation rates from July 2008 to July 2011](https://example.com/inflation-graph.png)

Source: Office for National Statistics (2011d)

Inflation (CPI) still lies well above the Bank of England’s 2% target, and is likely to continue to remain above it in the near term - driven by high commodity prices. However, the Monetary Policy Committee of the Bank of England expects inflation to fall back to target levels in the medium term. Combined with slower growth forecasts, this has led many economists to predict continued low interest rates for the foreseeable future.

**Interest rates 2004-2011**

- On 8 September, the Bank of England Monetary Policy Committee voted to maintain the bank rate at 0.5% and the size of the Asset Purchase Programme at £200bn.
- The European Central Bank increased its main interest rate from 1.25% to 1.5% in July highlighting their focus on their primary task of combating inflation.

**Exchange rates 2005-2010**

- A decline in the Sterling Exchange Rate Index (ERI) represents a relative improvement in UK competitiveness (imports become more expensive and exports cheaper).
- The economic circumstances which have unfolded since 2007 mean that the ERI is now more than 20% below its 2005-2007 level. This has improved the competitiveness of UK exports. The downside is an increase in the price of imported goods.

5. GUEST INDICATOR: POPULATION CHANGE

- On 30 June 2010, the total estimated population of Scotland was 5,222,100, a rise of 28,100 on the previous year.
- There were 58,791 births and 53,967 deaths in Scotland in the 12 months to 30 June 2010 – meaning the number of births exceeded the number of deaths by 5,188.
- Over the last year there was also an increase in net migration of 24,968 people, made up of around 3,500 people from within the rest of the UK and of around 21,500 people from overseas.

**Percentage population change by local authority, 2000 – 2010**

Source: General Register Office for Scotland (2011).

- Over the last decade, West Lothian had the highest percentage population increase at 9.6%.
- Inverclyde, East Dunbartonshire and West Dunbartonshire all experienced population decreases of more than 3.5%.

**Age structure of the population**

- In 2010, seventeen per cent of the population was aged under 16, 66 per cent was aged 16 to 64 and 17 per cent was aged 65 and over.
- During the last 10 years, the population has increased by just under 160,000 (3.1 per cent), from 5.06 million to 5.22 million. The ageing of the population is evident from the decrease in population aged under 16 (-7 per cent) and the increase of those aged 45-59 (+14 per cent), those aged 60-74 (+13 per cent) and those aged over 75 (+14 per cent) (GROS, 2011).

**Projected population growth**

- The latest projections of Scotland’s future population, show the total population of Scotland rising from 5.17 million in 2008 to 5.54 million in 2033. Longer term projections show the population peaking at 5.57 million in the mid 2040s.
- Until 2026, natural change and migration both act to increase the size of the population. After that point, the number of deaths exceeds the number of births, a consequence of the ageing of the population, whilst the net migration into Scotland continues (GROS, 2011).
POPULATION CHANGE SINCE 2000 BY LOCAL AUTHORITY AREA

Population change by local authority area between 2000 and 2010

(GROS)

% Population change (2000 to 2010)

- Less than 0%
- Up to 3% increase
- Between 3 and 5.9% increase
- 6% increase or more

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SOURCES


Scottish Government. (2011b) *Personal communication* [Unpublished]

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SB 11-42 Unemployment - May 2011 (1.16MB pdf) - 16 June 2011
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