

The curious case of the Scottish economy

Before the EU referendum the Scottish economy was growing far more slowly than the UK as a whole. From the 2008 crash to 2015 the Scottish economy only advanced by 4% in cash terms, compared to 23% for the UK. Since the referendum the Scottish economy has continued to underperform. On the latest figures the UK is growing around 1.2% real more per annum than Scotland, with the Scottish economy in danger of stalling.

It clearly isn't the EU referendum doing that as a few would suggest. It is a longer term Scottish trend. Part of the reason is the decline in oil output. The North Sea fields are in decline. As oil volumes and revenues tail off, so that has knock on effects to the supply industries and the service sector that has lived off the oil industry where it is strong.

Recent figures show disappointing results for manufacturing as a whole, and a weak balance of payments. Scotland spends more per head in the public sector than England. Scotland borrows more as a percentage of GDP to support public spending than the UK as a whole. If larger deficits and higher public spending made for more growth, Scotland would have a more successful economy than England. It does not seem to.

I would be interested in views on why Scotland has been lagging, and what the Scottish government can and should do about it. The SNP live on the fact that the Scottish average GDP per head is not too bad compared to the UK and European averages, but this relies on the residual advantages of a declining North Sea oil sector and past achievements from pre the 2008 crash. They need to answer more of the questions about the disappointing performance over the last decade when they have been in office, and to explain why so far their approach has not even succeeded in getting Scotland back to the average growth rate for the UK as a whole. The crash of course hit the high value added financial sector whose Investment Bank activities were concentrated in London, but this has not had the same impact on the London economy as the oil decline on the Scottish one.