



# Radical Options for Scotland and Europe

For public ownership and democratic control

## Briefing 60 August 2023

### Strong indications of economic downturn

Scotland: contraction in manufacturing

Frazer of Alander: Scottish economy contracted by 0.2 percent in May (after 0.2 percent growth in 1Q 2023). The size of the Scottish economy is now below its pre-covid level (main contraction in consumer sectors of retail, food and accommodation).

Fraser of Alander also reports a major slippage in commercial confidence: confidence of small firms in paying debts down from 53 percent in 2021 to 19 percent in July 2023; for firms with 250+ employee fall from 68 percent to 46.

Majority of smaller firms expect redundancies next month: 250+ employees next three months

Royal Bank of Scotland: purchasing managers index for manufacturing at five month low and lowest in UK apart from North East and North of Ireland.

Global contraction in manufacturing:

Purchasing managers index figures for July (as published 1 August)

Germany 38.8 down from 40.6 in June (sixth consecutive fall) anything below 50=fall.

France 44.5 sixth consecutive fall.

Spain 47.8 lowest since December

Italy 43.8

EU 42.4 (43.4 in June)

UK 45.3 (lowest this year)

US 46.3 six month low

China 49.2 down from 50.5 in June

Statistics for EU and EURO areas May and June 2023

	EU	Euro A	Germany	France	Italy	Spain	Greece
Inflation June 2023	6.4	5.5	6.8	5.3	6.7	1.6	2.8
GDP Q1	0.2% increase	0.0	-0.1	0.1	0.6	0.5	-0.1
GDP Q2	0.0	0.3	0.0	0.5	-0.3	0.4	-
Unempl May	5.9	5.7	2.9	7.0	7.6	12.7	10.8
Food inf May	15.1	13.8	15.4	15.0	11.9	11.9	11.3
Food inf June	13.8	12.6	14.1	14.3	11.1	10.2	12.6

Conflict over EU State Aid Policies and US subsidies

The European Commission has agreed to undertake a review of state aid policy and appointed former Italian PM Enrico Letta in face of strong criticism over the current unequal distribution of state aid across the EU. Prior controls were lifted in face of Covid and from 2022 of the Ukraine War. Levels of state aid are running

at double pre-Covid – with Germany providing its own firms with almost 50 percent of the 733B euro total EU state aid so far allocated. France has allocated 23 percent and Italy 8 percent. Enrico Letta is calling for restoration of previous EU controls over State Aid and an EU capital union to facilitate more equal investment across the EU. The decision was taken to continue the relaxation of rules largely in face of the US Inflation Reduction Act offering subsidies to EU firms to relocate production to the US. Volkswagen diverted its planned battery plant from E Europe to the US when offered a \$10B subsidy by the US.

### Crisis of Britain's (and Scotland's) Productive Economy

July 2023 report from UK National Statistics Service ONS shows output per hour in UK in Q1 2023 only 0.6 percent above 2019 level and significantly lower than major competitors. Productivity per hour worked in dollars in 2023 is over 10 percent lower.

Germany	87.26
US	87.15
France	83.43
UK	74.30

UK growth since 2010 0.4 percent annually: half the average for the 25 member OECD. G7 investment average of GDP 12.33; UK 9.95 (Resolution Foundation: *Beyond Boosterism*). SPICE figures published June 2023 show Scottish manufacturing output at 92 percent of the 2019 level.

### Scotland's National Strategy for Economic Transformation

*Published by Kate Forbes March 2022*

Describes objective as 'an internationally competitive economy founded on entrepreneurship and innovation', 'a magnet for inward investment and global private capital', building on a well-being economy in which everyone shares ...and a Just Transition securing Net Zero by 2045 to become a world class entrepreneurial nation ...'

Notes, however, that powers of Scottish parliament to achieve required policies are constantly being eroded by the UK Internal Market Act and that 'our ability to maximise our economic prosperity is constrained by Scotland's current constitutional position in which macro-economic, employment, energy and the majority of revenue raising powers are reserved to the UK Government. For example at a very practical level, the expansion of our energy sector is constrained by the energy regulator's decisions on charges for access to the power grid that disadvantage Scotland's energy producing areas. This strategy therefore focuses on actions that can be taken within current constitutional arrangements.'

### Royal Society of Edinburgh survey of R&D in Scotland (2019)

Shows research and development a) 10 percent lower in total volume than UK average b) only 50 percent contributed by business as against 68 percent UK average c) 42 percent dependent on university research as against 24 percent UK average.

### UK government announces new oil and gas licences for UKCS and funding for two Scottish carbon capture sites

UK government announced 30 July that it will grant 100 new exploration licences for oil and gas in September and £5B funding each for two carbon capture sites: St Fergus Aberdeenshire and Moss Morran/Peterhead. The two previous carbon capture sites were in England. Current oil/gas output is around 60 million barrels equivalent a day as against 250 mbd at the height of North Sea output. Commercial estimates suggest that actual exploitable reserves are not likely to do more than slow the current decline.

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