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BRIEFING 72 AUGUST 2024

This briefing focuses on the regional unevenness of development across the nations and regions of Britain, the specific weakness of Scotland in productivity and the small and declining size of the manufacturing sector – as a context for the fight to defend Grangemouth. It also highlights the more general weakness of Britain's industrial economy along with that of the major EU economies, Germany and France.

Regional unemployment statistics (ONS July 2024)

Regional differences increase as growth falters and unemployment increases

	Employment Rate	Unemployment	**Inactivity**	Change March-May inactivity
UK	**74.4 percent**	**4.4 percent**	**22.1 percent**	**0.8**
London	**74.8**	**5.1**	**21.0**	**-0.2**
South East	**78.4**	**3.9**	**18.4**	**0.9**
Wales	**68.7**	**3.5**	**28.7**	**3.7**
Scotland	**72.9**	**4.9**	**23.3**	**0.4**

Sectoral analysis of Scottish economic growth 2024 GDP Quarter 1

Scottish Parliament Research Service

Output 2024 quarter 1 compared with 2019 (2019=100)

Note that manufacturing output is today 10 percent lower than in 2019.

Ag and fishing 99
Construction 101
Services 105
Production 95
Of which
Manufacturing 90
Mining 100
Power 95

Scottish Productivity Index March 2024

(jointly produced by CBI and FoA)

Scotland was behind UK average in 10 of 13 indicators for year ending March 2024

Business investment contracted by 0.3 percent: UK up 0.3 percent
Share of innovation active businesses fell by 5.9 percent
Long-term sickness highest in UK.

The Grangemouth Closure

Ineos announced the closure of the Grangemouth refinery at the end of last year. The company claimed that the plant represented 4 percent of Scottish GDP and 8 percent of its manufacturing capacity (Fraser of Allander Institute has disputed these as too high]. Ineos is

Scotland's only refinery and supplies 65 percent of Scotland's refined petroleum as well as feedstock for specialist chemicals. It employs up to 500. From 2025 Ineos will source its refining needs from its other refineries, mainly in Europe, and will replace the plant with a terminal for imported oil products. No substantive proposals have yet been made to repurpose the site. At the beginning of July the Just Transition Commission condemned the lack of 'effective planning to date'. At the same time Sharon Graham for Unite commented 'why on earth has it taken the Scottish Government eight months to even talk about a plan to secure the future of the Grangemouth oil refinery and the jobs of people who work there? … Grangemouth is absolutely fundamental to the Scottish economy.' On 20 July the Ed Miliband, energy minister for the new Labour government, helped convene a 'Grangemouth Future Industrial Board' which he will co-chair. It is tasked to consider alternative uses compatible with Just Transition. A draft plan is promised for the end of September.

External financial pressures on the Starmer government

IMF report on UK economy 16 July 2024

The report issued this month will, if accepted by the Starmer government, significantly influence its policy options for the coming period. It begins by noting that Britain seems to have avoided a hard landing from its credit-fuelled counter-cyclical Covid spending but goes on to argue that strong measures are required to reduce public borrowing from its current level in excess of 97 percent GDP. Unless GDP growth can be restored to the level prior to Covid (it is currently a quarter below the pre-Covid trend) it proposes significant cuts in public expenditure: charging for public services, limitations to inflation rises in the state pension and maintaining existing tax levels. It calls for an increase in labour mobility by relaxing planning rules for housing and 'unlocking pension savings' to overcome the investment deficit in industry and the country's very poor level of productivity. It points to the urgent need to 'upskill' the workforce. It also warns of potential risks stemming from the non-bank financial sector and in several asset markets. The National Statistics Office reported on 20 July that public debt had reached 99.5 percent of GDP.

German economy struggling; France urged to maintain downward pressure on public spending

The IMF reports for Germany urged restrictions on state spending. Germany's economy had seen no growth since 2019 and GDP remained 1 percent lower. Causes included: a shrinkage on the working age population which is predicted to fall further by 6.9 percent by 2029; very low gross public investment (2.5 percent GDP - Britain's is 3 percent); loss of export markets as world economy fragments; declining level of domestic investment and savings directed abroad.

The report on France, published pre-election, was more upbeat – provided that existing reforms of pensions, pensionable age and unemployment pay were maintained, the ratio of public debt to GDP substantially reduced and subsidies to industry not increased.