

Glasgow and the Clyde Valley Strategic Development Plan

Proposed Plan

Background Report 01

Economic outlook and scenarios

June 2011

A large, bold, white number '01' is centered on a solid red rectangular background. The '0' is a simple, rounded shape, and the '1' is a vertical bar with a small horizontal top bar and a slight curve at the top left.



OXFORD
ECONOMICS

The strategic and economic implications of the recession for Scotland

Report

May 2009

Oxford Economics

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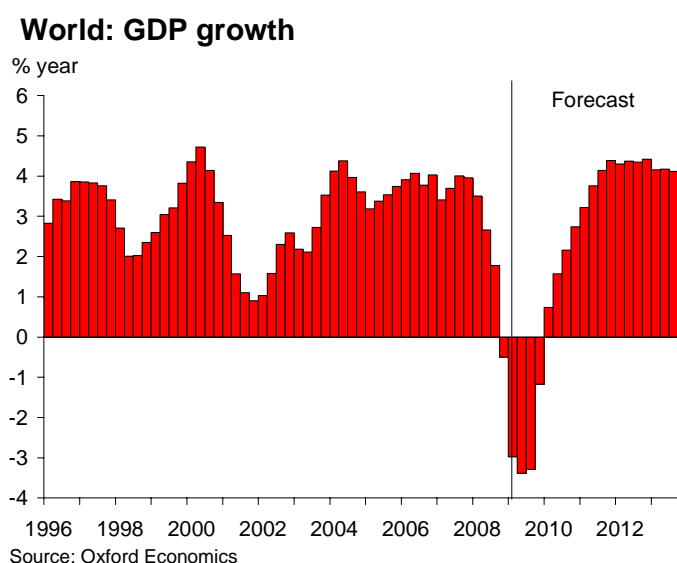
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1 The unprecedented slowdown

The recession currently underway through the global economy is the worst since the second world war, and is almost unique in its scope and scale. Virtually every major economic location in the world has been adversely impacted, every sector, socio-economic group and government have suffered an abrupt – and largely unforeseen – reversal of economic fortunes in a relatively short period of time.

Figure 1: World GDP Growth



At the time of writing (May 2009) the global contraction is estimated at approximately -2.7%, and unemployment has reached levels not seen in a decade in most developed economies. The recession has led to a rise in unemployment in the UK to just over 1,500,000 and in Scotland to 126,800 from lows of 785,800 and 68,500 respectively.

Table 1: Claimant count unemployment change, April 2008 – April 2009, UK regions

	Unemployment	
	(000s)	pp
South East	85	1.6
London	79	1.5
Eastern	63	1.8
South West	57	1.8
West Midlands	80	2.4
East Midlands	56	2.1
Yorkshire and Humber	72	2.2
North West	83	2.0
North East	35	2.2
Wales	38	2.1
Scotland	53	1.6
Northern Ireland	22	2.0
UK	722	1.9

Source: NOMIS / Oxford Economics

2 The recession: Cause and effect

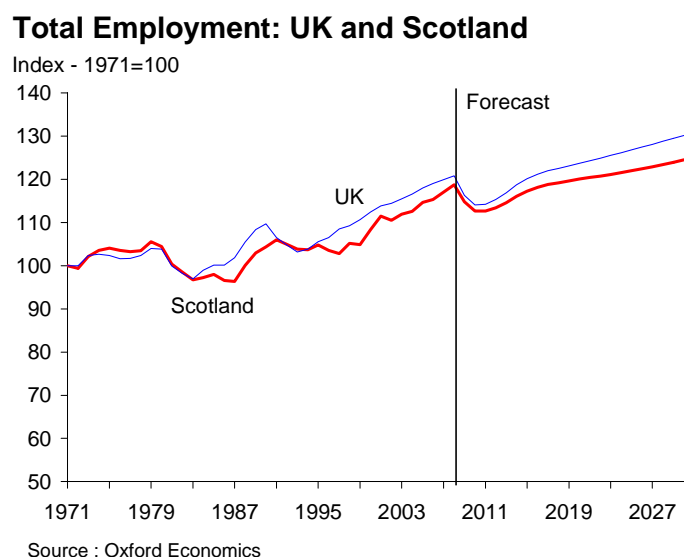
The causes of the recession are complex and numerous, but essentially they can be summarised as follows:

- **Debt:** The western world had become very debt dependent, with consumers borrowing against ever-rising property prices and financial institutions running up significant liabilities by effectively trading debt. This process became increasingly opaque and ultimately was undermined as it became clear the link between assets and values was no longer apparent or quantifiable.
- **Financial collapse:** As the unwinding of the debt 'chains' took hold, the exposure of the world's major financial institutions to so-called 'toxic debt' was slowly unmasked, and the collapse of Lehman brothers on 15th September 2009 and the subsequent palpable feeling that the financial world was on the brink of collapse led to a severe shortage of finance at professional and personal level.
- **Confidence collapse:** The upshot of falling house and equity prices allied to emerging job loss led to a sharp reversal in consumer confidence – a key driver of the debt-led growth over the last decade.
- **Complacency:** Though the recession has unsurprisingly brought about a blame game in terms of who caused what, the reality is there was complacency across a range of institutions and individuals. Governments did not pay enough attention to spiralling debt or increasing vulnerability to an out-of-control housing market, advisors and forecasters did not provide sufficient warning of the unsuitability of the growth trajectory, regulators were not rigorous enough in scrutinizing the practices of lenders, and consumers were too cavalier with debt levels.
- **Commodity price rises:** An often-underplayed contributing factor to the rapid reversal of economic fortunes across the developed world was the rapid rise in commodity prices and in particular in oil. It is estimated the oil price rise added more costs to the entire US economy than the total federal bail outs have 'returned'. This reflects the scale of importance of input prices in determining overall economic growth.

The impacts of the recession have been many and varied. In summary, the key economic implications include:

- **Reversal of labour market trends:** The plunge into recession has ended a long period of job growth across the UK, and all regions have experienced falling employment and consequently rising unemployment (which has risen in all 434 UK LAs in the last quarter).

Figure 2: Total Employment, UK and Scotland, 1971 - 2030



- Broad sectoral reach: The recession has reached most sectors of the economy (and public services – the only sector to largely avoid the cull – will feel the impact in due course) with the early credit crunch expectations of a ‘white-collar’ recession proving unfounded as construction and industry feel the initial brunt.

Table 1: Employment by sector, Scotland and UK, 2008 - 2010

	Scotland		UK	
	(000s)	%	(000s)	%
Agriculture	-2	-2.3	-14	-2.9
Extraction	0	-0.8	-3	-4.4
Manufacturing	-29	-12.2	-383	-12.2
Utilities	0	1.9	3	2.3
Construction	-12	-6.3	-165	-7.4
Retail	-22	-5.5	-268	-5.3
Hotels	-14	-7.4	-120	-6.0
Transport and communications	-8	-5.4	-102	-5.4
Financial services	-11	-11.5	-128	-11.5
Business services	-35	-8.3	-513	-9.2
Public administration	-6	-3.4	-45	-2.9
Education	-1	-0.5	1	0.1
Health	5	1.3	68	1.8
Other personal services	-7	-4.4	-80	-4.0
Total	-140	-5.1	-1750	-5.5

Source: Oxford Economics

- Personal costs severe: The personal costs of recession are significant – repossessions are on the rise and many people’s nest eggs (in property or pensions) have been wiped out or severely devalued at least. In addition, leavers from the education system have been faced with the most difficult conditions for finding work in generations – there are very few elements of the economy in recruitment mode.

- Finance harder to access: As banks seek to repair balance sheets, and consumers and businesses become nervous about future prospects, it has become harder to access finance – changing the face of economic activity. The assessment of risk has come to the fore as a requirement for lending, and in some ways the era of cheap money has come to an end – which is somewhat ironic considering the record low level of interest rates.
- Professional services questions: The key driver of growth in recent times – namely the professional services sector (including all manner of activities from consultancy to banking to call centres, labour recruitment and lawyers) – has been called into question by the slowdown, particularly the global finance industry. Much of this has been alarmist – the world still needs professional services – but clearly the sector is not very well understood: how much depends on the housing market; how much other firms; how much consumers; how much exports?
- Migration impacts: Migration continues to be badly understood in economic terms – with official projections relying on trend assumptions and currently looking far too optimistic (UK net migration is projected at just over 190,000pa in the medium term). Clearly lesser inflows are likely in response to a slower growing economy (especially with construction – a key employer – slowing). However, a relatively generous benefits system, a possible reduction in out-migration flows due to a reduction in people's equity, and limited job opportunities elsewhere mean the contraction may not be as severe as expected. See the section on potential outcomes for discussion of alternative possible levels of migration.
- Environmental impacts: The growing 'green agenda' is clearly impacted by the recession, though it is hard to be clear exactly how. It is being lauded as a potential source of job growth and thus a factor in helping the economy towards recovery, but equally the market has fallen away for a number of new products which are traditionally more expensive. Additionally much of the green construction jobs would merely displace the old 'grey' construction jobs and thus not create net additional jobs.

3 Has the world changed?

Though it is difficult to look beyond the recession given its severity and impact, there is a need to consider the longer term implications – for planning and strategy. Does the recession necessitate a recasting of the long-term projections underpinning national and local economic development? It is impossible to be definite, but there are a number of ways in which the world will be altered in all probability as a result of the recession, including:

- Attitudes and access to finance / debt: Although normality will return in the financial world, it is unlikely that the extreme lending of the recent past will return. People will be more nervous about taking 100% mortgages when the fear of falling prices and worse still job loss remain in their minds (witness the length of time the south of England took to recover equity confidence in housing). Financial institutions are likely to remain circumspect about exposure to risk for a period well after the recession.
- Regulation and operation of the global finance industry: In addition to attitudinal change to risk and lending, there is also likely to be organisational and regulatory change, with governments around the world requiring greater scrutiny and tighter lending procedures. The public ownership (at least in part) of many of the institutions in question will help to make this a reality even were the industry is reluctant.
- Monitoring of debt and valuation of risks / assets: There will be a growing industry in risk assessment, and it is likely that consumers and businesses will face tougher conditions on accessing finance and convincing lenders for the foreseeable future.
- Expectations: There is likely to be a slow adjustment downwards of individuals' expectations from the labour market. Attitudes to job opportunities may change – with wage inflation falling and 'power' returning to employers as opposed to employees. This will ultimately help in global competitiveness terms, but will be a painful experience for consumers and will impact retail sales and other aspects of the economy (such as expenditure on housing, attitudes to saving and acceptance of bonus payments to business leaders).
- Public sector spending: It will take a long time for public finances to recover from the current recessionary 'hit'. It will almost certainly require tax rises and spending cuts in real terms (unless a spectacular recovery in economic growth is established). This will impact heavily on direct public sector employment, but also indirectly on economic growth. The public sector will look to cost save where possible (on property and costly city centre locations, perhaps – mergers of sites / functions and re-locations may become more commonplace) and people will feel less secure in their public sector employment – thus impacting on spending and living patterns.

However in many other ways the recession will not alter the economic fabric of the UK:

- High-skilled exports (both good and services) will continue to be key drivers of UK export performance and thus UK growth.
- A balance between domestic and export demand is necessary to enjoy stable economic growth.
- It is likely that professional services will remain the key engine of job growth in the UK (as the world still demands it, and on-shoring of industry is unlikely at current wage levels).
- Growth remains dependent upon the spending of governments, consumers, levels of capital investment and the trade balance – just as it always has.

What the recession has clearly revealed is that the range of possibilities for economic growth is wider than had been considered in the recent past. Though the fundamentals of the UK, and indeed Scottish, economy remain in place, there will be long-term scars left by the recession, and a return to the experience of the last decade would appear unlikely.

4 Economic impacts of the slowdown

The costs of the recession will be severe in personal, professional and governmental terms. There will be many people laid off from work who will not find an easy route back in (due to skills mismatch or geographical mismatch). Equally, at least one and probably two cohorts of young people face the possibility of 'missing out' on a labour market opportunity and thus risk being left outside the labour market over the longer term. In pure job terms a number of sectors will take a considerable time to return to their previous employment levels (and will never do so in some cases). Current estimates of the recession in Scotland are that:

- Unemployment will rise by 97,500 from its November 2007 low
- Total employment will fall by 139,800 from its 2008 peak
- £3300m of GVA will be lost from its peak in 2008
- House prices will fall by 10% from their Q4 2007 peak (DCLG)

Though there are no official fiscal figures for the Scottish region, it is clear that the financial 'balance sheet' will have weakened considerably as a result of the recession, and as a region with a significant reliance on public sector as an employer likely future squeezes on public services will have a marked impact.

Looking further ahead, the recession and the questions it has raised has led the OE macro team to revise down medium-term migration assumptions from 190,000 to 90,000 per annum and also to revise down trend growth with a higher long-run unemployment rate (the NAIRU). This is partly on the basis that the rate had been kept artificially low (and growth above trend) by the debt-led consumer spending. A more detailed explanation of the longer term revision to UK outlooks is attached as an annex to this document.

5 Potential outcomes

A range of potential outcomes could be presented for the medium-term outlook for the Scottish economy – by way of summary the following table sets qualitative bands on likely outcomes either side of the current OE central proposition.

	Stalled economy	Dragging growth	Central case	Improved export economy	Global successful economy
Employment per annum (long run avg)	0	0.25	0.5	0.75	1
GVA growth per annum (long run avg)	1.5	2	2.5	3	3.5
Percentage likelihood	10	15	40	25	10

When considering the longer term prospects it is useful to consider the economic and demographic factors at play separately even though they closely intertwine.

5.1 Demographic factors

Migration

Scotland traditionally experienced net out-migration until 2003, since when it has enjoyed a positive in-flow (figure 2). The primary factor in the reversal in the trend has been a sharp pick-up in net international in-flows, a feature shared with the rest of the UK.

Figure 3: Total net migration in Scotland, 1971 - 2007

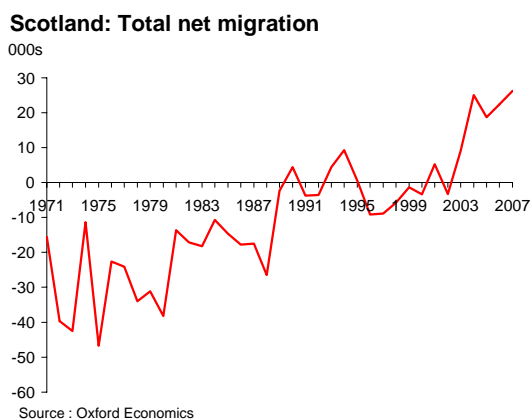
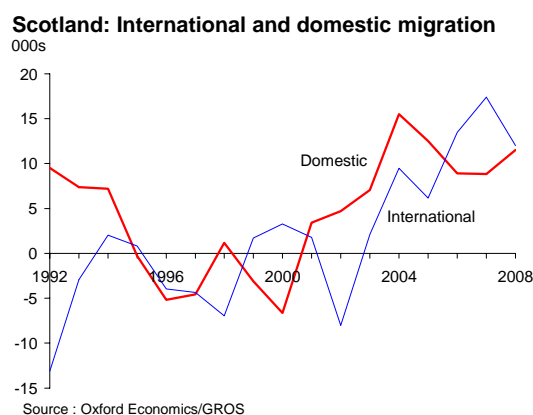


Figure 4: International and domestic migration in Scotland, 1992 - 2008



The data needs some caution – there is little certainty over migration estimates and it will take the 2011 census before much certainty can be placed over trends. Indeed, looked at a local level the recent trends in migration are by no means uniform.

Table 2: Local authority migration change, Scotland, 2000-2007

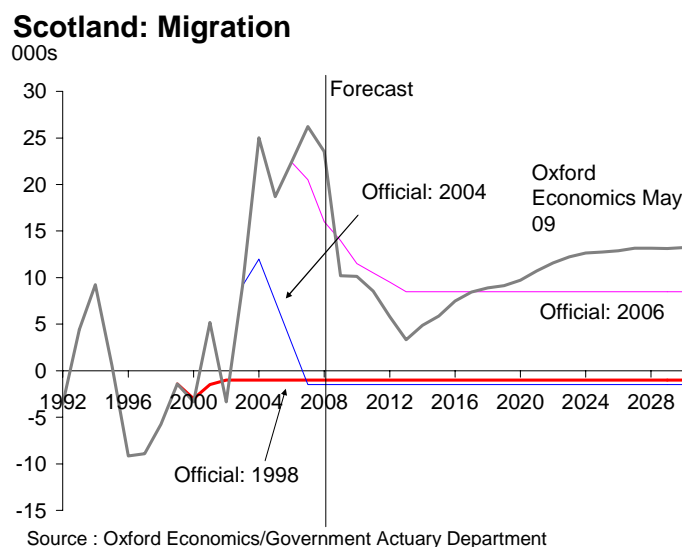
	Total migration 2001-2007	Population 2007	%
Aberdeen City	-3.8	209.3	-1.8
Aberdeenshire	10.1	239.2	4.2
Angus	2.6	109.9	2.4
Argyll & Bute	2.8	91.4	3.1
Clackmannanshire	1.7	49.9	3.4
Dumfries & Galloway	3.9	148.3	2.7
Dundee City	-2.7	142.2	-1.9
East Ayrshire	0.8	119.6	0.7
East Dunbartonshire	-3.4	104.9	-3.2
East Lothian	4.8	94.4	5.1
East Renfrewshire	-0.1	89.3	-0.1
Edinburgh, City of	18.6	468.1	4.0
Eilean Siar	0.5	26.3	1.7
Falkirk	5.9	150.7	3.9
Fife	13.1	360.5	3.6
Glasgow City	10.0	581.9	1.7
Highland	9.9	217.4	4.5
Inverclyde	-1.9	81.1	-2.4
Midlothian	-1.9	79.5	-2.4
Moray	0.7	86.9	0.8
North Ayrshire	0.8	135.8	0.6
North Lanarkshire	0.6	324.7	0.2
Orkney Islands	0.8	19.9	4.1
Perth & Kinross	9.2	142.1	6.5
Renfrewshire	-2.9	169.6	-1.7
Scottish Borders	7.0	111.4	6.3
Shetland Islands	-0.5	22.0	-2.1
South Ayrshire	2.4	111.7	2.2
South Lanarkshire	7.8	309.5	2.5
Stirling	2.1	88.2	2.4
West Dunbartonshire	-1.8	91.1	-2.0
West Lothian	6.4	167.8	3.8
Scotland	103.3	5,144.2	2.0

Source: General Register Office for Scotland / Oxford Economics

Some doubt over the estimates comes from the additional data available alongside the population (e.g. housing data) Therefore, as with all data, some care needs to be exercised when drawing conclusions, considering employment (both ABI and APS / LFS) alongside population / migration, housing and unemployment data is required to arrive at a fully realised picture of economic conditions and trends.

The migration outlook clearly depends upon a range of factors not least the strength of the economy – official estimates build in no consideration of the trends in the economy. The assumption underlying current population projections is compared to recent estimates, and for reference the current Oxford outlook, below.

Figure 5: Migration projections from different official base years, and Oxford Economics May 09 forecast



Clearly the risks to future migration trends are significant – though the primary assumption would be that as the majority of the recent inflow of migrants have been ‘work hungry’ and thus the falling employment may lead to an increased exodus, there are a range of factors which may work against this prior assumption:

- Scotland experienced a more modest house-price boom than most of the UK, and thus remains a more stable and affordable residential choice, increasing its attractiveness as a destination.
- A well funded and extensive higher-education system remains an attractive draw for migrants, some of whom remain post-qualification.
- The outflows will be restricted because people wishing to move away in retirement may find their properties and other nest-eggs have been adversely impacted by the recession.
- The outflows may also be restricted as many potential international migrants will have limited choice of destinations with favourable economic opportunities.
- Outflows may be reduced as residents struggle to sell property.
- The relatively large public sector will cushion part of the recession’s impact thus impacting outflows accordingly.
- The agri sector is performing rather well, with a favourable exchange rate, and equally the tourism sector may receive a boost thus potentially boosting migrant flows.

A wide range of migration outturns are possible, leading to different levels of population in the medium term. The table below summarises some alternatives. The lower migration scenario is based on the average level of net migration over the 1990s – the period between the 1991 Census and the 2001 Census saw average net migration of 2,200 people a year moving away from Scotland. The higher migration scenario is based on the average of the recent period of high inward migration – over the 5-year period from 2003 to 2007 net inward migration to Scotland averaged 20,300 a year.

Table 3: Population implications of alternate migration assumptions, Scotland

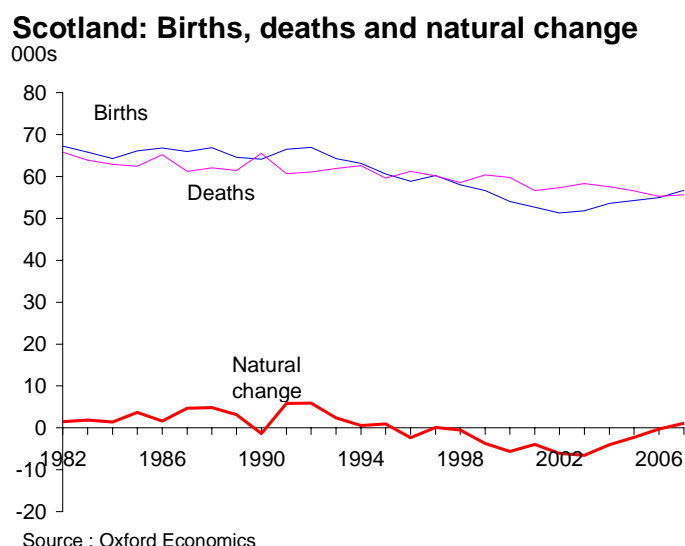
	2007	2007-2017 (000s)	2007-2017 (%)
Baseline	5144	130	2.5
Lower migration	5144	45	0.9
Higher migration	5144	248	4.8

Source: Oxford Economics

Natural change

Natural change in the economy is the second main component in population change (essentially births minus deaths), and this has undergone significant growth in recent years.

Figure 6: Births, deaths and natural change, Scotland, 1982 - 2007



Source : Oxford Economics

The increase is a 'two tailed' impact, with birth rates rising and death rates falling more than predicted. In the case of birth rates this is largely a result of migrant families having children (or migrants marrying residents and having a family), though increased wealth, or perceived wealth, and improved childcare and medical practices has also led to an increase in births to older women.

The current predictions are for both trends to continue over time, as shown below, but with the overall level of deaths exceeding births again by 2023 as the population ages.

Figure 7: 2003 based official births and deaths, Scotland, 1992 - 2030

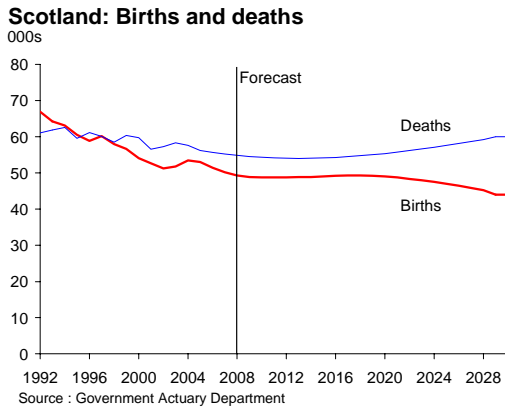


Figure 8: 2006 based official births and deaths, Scotland, 1992 - 2030

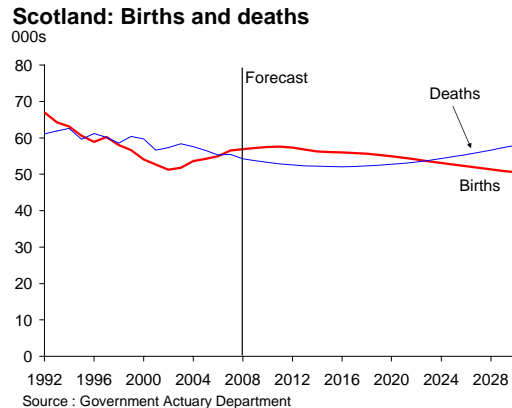
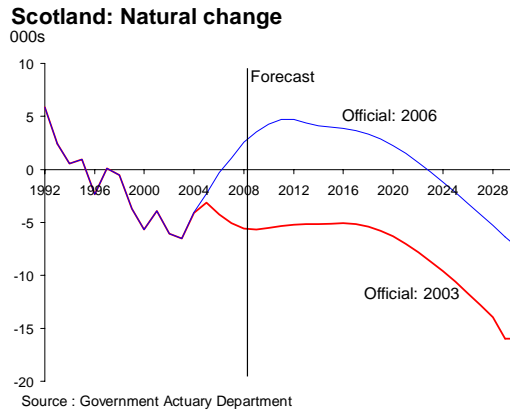


Figure 9: 2003 and 2006 based natural change, Scotland, 1992 - 2030



Again modest changes to births and deaths assumptions could change the population considerably, as depicted in the table below. The scenarios are based on levels of natural increase 2,000 a year lower or higher than in the baseline:

Table 4: Population implications of alternative natural increase assumptions, Scotland

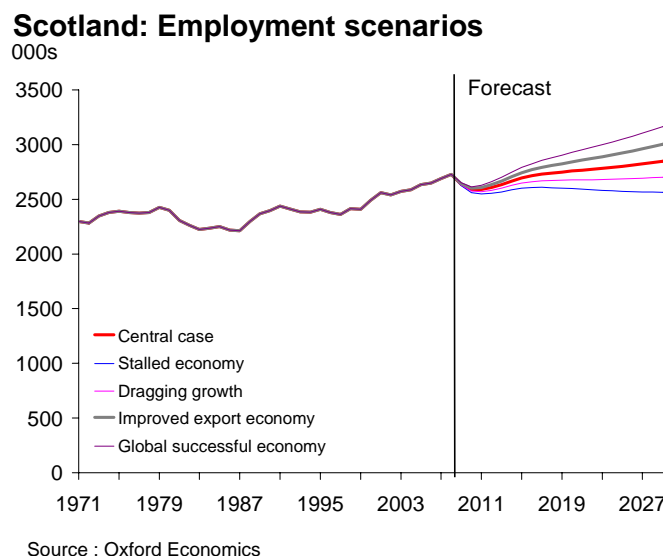
	2007	2007-2017 (000s)	2007-2017 (%)
Baseline	5144	130	2.5
Lower natural increase	5144	112	2.2
Higher natural increase	5144	148	2.9

Source: Oxford Economics

5.2 Economic factors

The longer term outlook for the economy remains a fragile one, and in the eye of such a severe economic storm it is a challenging time to predict longer term trajectories. Furthermore the longer-term outlook is intrinsically linked to the population and in particular migration trends – thus care should be taken with any employment assumptions. The figure below sets out a range of alternate employment growth scenarios under a range of economic conditions.

Figure 10: Employment scenarios, Scotland, 1971 - 2030



The recession has also led to concerns over the viability of the professional services sector as the engine of growth and also the vitality of the public services to continue to expand under tighter public finances. There are a number of factors worth considering with respect to longer-term employment growth, including:

- **Infrastructure:** Scotland's future competitiveness will partly depend on the quality of the infrastructure provided for businesses and households. Investment in physical infrastructure is has the advantage of being a very tangible response to current economic circumstances, and research shows that developing the transport infrastructure can have a noticeable impact on firms' willingness to invest in an area and on future business efficiency. However, raising money to invest also raises the cost base – say to fund airports or toll roads or increased rates etc. and in a competitive world costs can be critical. So a balance needs to be struck between rising costs and improved infrastructure.
- **Quality of place:** Enhancing the attractiveness factor of Scotland's metropolitan areas is potentially a key to improving competitiveness (and may also be related to infrastructure spending in some ways). In a world where there is competition to attract both people and business, the urban fabric matters a great deal. This includes aspects of safety, cleanliness, environmental appeal and entertainment provision alongside the more obvious economic aspects of suitable accommodation, amenities and connectivity. Interestingly, as with the attractions of rural living, it may be in some cases that not increasing the population is desirable to maintain the standard of urban living and working – otherwise there is the potential for congestion and overcrowding to reduce attractiveness even if it could physically be accommodated.
- **Housing demand:** For housing plans one of the key factors is not just the projected population (see Section 5.1) but also the projected number of people per household – the occupancy rate used here represents the average population per owner-occupied dwelling. Occupancy rates have been falling as people live longer, divorce rates rise and young people move out of home earlier. There is a possibility that the long decline may be ended by the recession, as access to housing finance falls and economic circumstances reduce capacity for single living. On the other hand more affordable housing post recession may help the trend revert to its trend

decline. Current occupancy rate and potential future implications on housing demand of alternate assumptions are shown below: the baseline allows for the average number of people per household to fall by 0.4% a year, in line with the implications of demographic models built around trends in the likelihood of household formation for each age group, but we have also illustrated the implications for household numbers if the average number of people per dwelling falls at twice the rate, and if it stops falling altogether as borrowing difficulties reduce the scope for household formation while migrant households live at higher densities.

Figure 11: Occupancy rates¹ with different assumptions, 1981 – 2030, Scotland

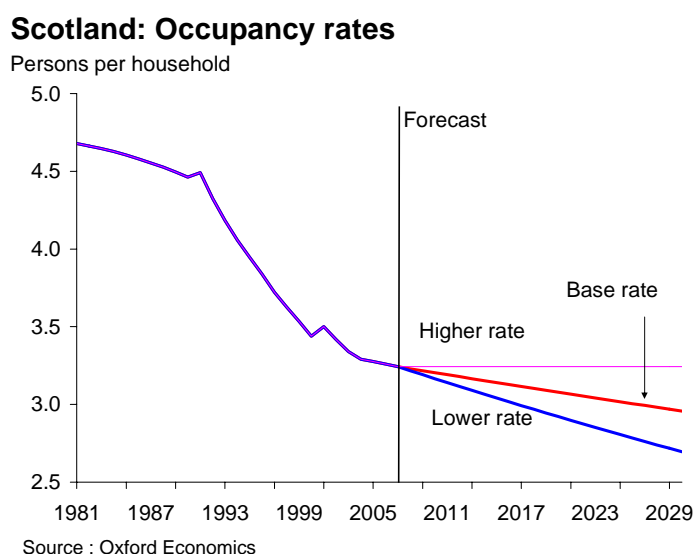


Table 5: Implications on housing of different migration assumptions and different occupancy rates, 2030, Scotland

		High occupancy rate	Central occupancy rate	Low occupancy rate
High migration	High natural increase	1753	1923	2109
	Central natural increase	1740	1908	2093
	Low natural increase	1726	1893	2077
Central migration	High natural increase	1683	1846	2025
	Central natural increase	1669	1831	2008
	Low natural increase	1656	1816	1992
Low migration	High natural increase	1601	1756	1926
	Central natural increase	1587	1741	1910
	Low natural increase	1574	1726	1893

Source: Oxford Economics

It is perhaps worth stressing that not all the possible outcomes shown in the above table are equally likely. Higher than expected migration, for example, is more likely to be associated with higher occupancy rates than lower ones, since migrant household typically have more people per dwelling than average. Equally, if high rates of natural increase arise from lower

¹ Note: People per owner occupied home (This is not a true 'occupancy' rate as this would include outside private ownership dwellings – social / letting). A more complete occupancy analysis would be possible with more resource and time.

death rates rather than higher birth rates then they may be associated with relatively low occupancy rates as many elderly people live in one or two-person households.

Table 6: Likelihood of different migration assumptions and different occupancy rates, 2030, Scotland

		High occupancy rate	Central occupancy rate	Low occupancy rate
High migration	High natural increase	Medium	Medium	Low
	Central natural increase	Medium	Medium	Low
	Low natural increase	Low	Low	Low
Central migration	High natural increase	Medium	Medium	Medium
	Central natural increase	Medium	High	Medium
	Low natural increase	Medium	Medium	Medium
Low migration	High natural increase	Low	Medium	Low
	Central natural increase	Medium	Medium	Medium
	Low natural increase	Medium	Medium	Medium

Source: Oxford Economics

- Sectoral mix: The recession has caused some concern to be raised over the potential sectoral make-up of any recovery and subsequent longer-term growth. Has the financial and professional model been uncovered as being flawed? Could industrial production on-shore to improve UK's export potential? Will the environmental 'green' jobs be additional to or replace other jobs and how will they be funded? How do cultural arts and tourism jobs fit given their generally lower productivity? Will public sector employment levels fall as finances are squeezed? It is difficult to be certain about sectoral outlooks – especially longer term – but the current UK and Scottish forecast from OE is as follows:

Table 7: Employment change by sector, Scotland and the UK, 2010 - 2020

	Scotland		UK	
	(000s)	%	(000s)	%
Agriculture	0	0.4	-1	-0.3
Extraction	-1	-2.7	-2	-4.1
Manufacturing	-8	-4.3	-101	-4.3
Utilities	0	1.1	2	1.3
Construction	3	1.6	39	1.7
Retail	5	1.2	58	1.1
Hotels	1	0.8	19	0.9
Transport and communications	1	0.5	11	0.6
Financial services	1	1.3	10	0.9
Business services	9	2.0	135	2.2
Public administration	0	-0.3	4	0.3
Education	1	0.3	24	0.9
Health	6	1.4	81	2.0
Other personal services	1	0.8	27	1.3
Total	20	0.7	304	0.9

Source: Oxford Economics

There are a number of sectors which could offer further potential, including:

- Green collar jobs – these may become important through government initiatives or through demand and energy prices rising. However, at present there is limited clarity as to the market and profitability of such sectors. Furthermore, will they simply replace resources rather than being additional? (For example, would the resource required to build energy-efficient homes not simply have built less efficient homes in absence of incentives?) More understanding is necessary to gauge the balance between production, construction, service sector and education opportunities in the ‘green economy’.
- Professional services – though the nature of some elements of the sector will change, there will clearly be ongoing demand for professional services. Be they computer services, marketing, advertising, legal services or financial advice and planning, the domestic and world economy will still demand these services. The nature of sub-elements within finance, for example, may change for ever, but opportunities will continue to arise (for example in risk assessment and consultancy advice on recession-proofing).
- Elderly services: The aging population will provide a shift in demand patterns for a range of services, from retailing, housing, care services and health to leisure, cultural and tourist options. Despite the recession, many people in this demographic will be reasonably wealthy and offer direct and indirect opportunities for economic growth.
- Advanced engineering and technology: The advanced end of production will remain very skills-dependent, and in this the UK remains a strong supplier. There will be opportunities throughout elements of advanced production, but bio-technology, life sciences, pharmacy, advanced engineering and the already discussed green production sector look most favourably placed.
- Culture and tourism: Both sectors provide scope for job growth (though neither are, by and large, high productivity). The landscape, history and specific cultural attractions in the Scottish culture provide scope to grow for this industry – though clearly growth in the international economy is necessary to bring external demand (and improving cost competitiveness compared to other international destinations).
- Commodity prices: The future path of commodity prices is far from certain. The record levels reached for oil, copper and other building materials has subsided (and interestingly prices for gold and other precious metals have escalated as investment locations in a bear market) but could easily rise in the future. The extent to which oil prices rose to their record levels as a result of speculation and how much was a demand squeeze is hard to determine – but rising prices will be a feature of the medium and longer term. This will influence people’s purchasing patterns, make transported goods more expensive (which is both a positive and negative for Scotland) and alter living choices and firm locations.
- Macro environment: The macro environment is impossible to forecast longer term, but it will clearly impact on economic growth and demographic trends. Certainly there is likelihood for low interest rates and benign inflation in the shorter term, but beyond 24 months is it hard to predict. Rising commodity prices in response to a growing world economy should lead to rising inflation and to keep interest rates as a useful policy tool a rise as soon as prudently possible will be required. The recession has reminded economists at all levels how much global and macro factors influence local economic growth throughout the economy - as such they remain important factors looking longer term even if no precision can be placed on their future level.
- The unemployed: It would appear that the recession will leave a legacy of unemployment with young people who ‘missed the boat’ and older workers laid off in sectors not expected to offer significant growth – for example construction or low-skilled factory work. A greater stock of unemployed will impact on the economy and on spatial planning in a range of ways – from spending patterns to housing choice.
- Environmental impacts: The environmental agenda is very topical at present and will clearly impact upon future economic growth in a range of sectors, not entirely in a clear way. The

extent to which environmental jobs develop as environmental planning and strategy is enforced through policy or results from market forces is unclear, but it is certainly going to be a feature of future growth. It will have impacts on economic growth, employment locations, housing and spending choices and thus on strategic planning and policy formation. At present it is not clear that anyone – advisors, politicians, even environmental campaigners - know what the full implications of the changing environmental background (be that climate change or dwindling resources) will be on economic growth, spatial planning or personal spending and living choices. This is an area to continue to monitor and engage with specialists to ascertain policy and strategic implications.

6 Implications for planning and strategy development

The analysis above has highlighted how uncertain times are, and the implications this has for future planning and strategic thinking. To summarise, the key risks and implications for planning and strategy development are as follows:

- The recession will have severe job and migration impacts in the short run – this will certainly include 2009, possibly 2010 and perhaps even further ahead (though this is much less likely).
- Changed attitudes and access to finance and much more challenging public finances will cast a shadow over the next decade at least – perhaps longer.
- In the longer run a growing UK and Scottish economy is still the most likely outcome - many of the strengths remain in place (high skills, international reputation, English language and flexible labour market, plus currently the exchange rate). But risks exist.
- Migration is most likely to be modestly lower than the recent highs, as more limited opportunities existing in sectors such as construction and EU laws change, allowing flows into countries who previously had limited access.
- Professional services remain the most likely standard-bearer for job growth, but the sector's fortunes have been dented somewhat by the recession. Elsewhere green jobs, tourism, high-end industrial jobs, jobs relating to elderly care and lifestyle jobs offer the most likely sources of future growth (though clearly unknown sectors may emerge over the longer term).
- Occupancy rates and housing choice (private ownership, private rental, social / public rental) are likely to change as a result of the recession and the long-term legacy with respect to access to finance and debt levels (though Scotland has less exposure to this than elsewhere in the UK).
- The eventual green agenda will be of crucial importance to economic development over the future. The potential for rising costs of travel and possible incentives towards more economically sustainable growth may provide both changes to the physical location and density of development but also to the nature and location of employment.
- There is also a potential for investment to enhance Scotland's competitiveness through improving the infrastructure and the attractiveness of metropolitan areas, though the costs involved will also affect competitiveness and need to be balanced against the benefits.

In summary the range of potential outcomes has increased post recession. This has implications for planning and development policy. Whilst it remains prudent to plan and strategise for the 'best possible outcome', consideration must be given to the implications of a more modest economic outcome. With this in mind, economic strategies and planning needs to set out a scalable vision – in which a baseline outcome delivering a 'better' outcome for the existing residents can be built upon in a modular way to accommodate faster economic growth if it is available to capture. In this respect the sequencing of initiatives, availability of land etc. becomes increasingly important to avoid 'piecemeal or patchwork' development. Indeed there could be a shift away from economic growth always being about more people and more jobs, and more towards improvement of environment for the existing population and businesses. The volatility and uncertainty resulting from the recession also require a more holistic approach to planning and strategy development. The lines between the public and private sector are likely to blur further; what is industrial and what is a service industry will also be harder to call; and retailing may be transformed further as a result of technology. All these potential risks require strategy and planning to be as versatile, dynamic and willing to accommodate change as businesses need to survive. Increasingly the trend will be towards 'living' documents and plans within a 'living' economy.

Annex: UK Economic Outlook

Will the recession damage UK long-term growth prospects?

Key points

- Over the last economic cycle between 1997H1 and 2006H2 the UK grew at an average rate of 2.9% a year, a marked improvement on the 2.4% a year it averaged over the previous cycle from 1986Q2.
- From a supply side perspective, this success was founded on the combination of several exceptional factors. Strong net immigration was supported by an increase in the employment rate, as the Thatcher labour market reforms continued to push down the NAIRU. Meanwhile, robust business investment and a movement towards high value added sectors, such as financial services, underpinned a stronger contribution from productivity growth.
- However, the recession will dampen potential output growth over the current cycle. Poor employment prospects and a narrowing of relative wage differentials will exacerbate the recent slowdown in migration from A8 countries. And other European countries bringing their rules on A8 migrants into line with the UK is likely to further dampen in-migration from 2011. The long-term ONS migration projections are based upon an extrapolation of a trend which includes the EU expansion and, as a result, they look unrealistic. We expect net migration to slow to 90,000 a year from 2013, compared with official projections of 190,000, resulting in a cumulative population shortfall of 1.09 million by 2018.
- A sharp and prolonged rise in unemployment will cause an erosion of skills amongst those who have lost their jobs and, when demand recovers, employers are likely to prefer to bid up the wages of existing workers rather than hire the unemployed workers who have lost their skills. We therefore expect the NAIRU to rise to 6.5% over the next two years, which is consistent with a long run employment rate of 80.5%. Therefore employment will act as a drag on economic growth, reducing potential output by 0.1% a year, in contrast to the +0.4% contribution it made in each of the last two cycles.
- As the credit crunch has intensified, access to credit has tightened significantly and, with the major industrialised countries in a deepening recession, business confidence has plummeted. Therefore, we expect firms to make large cuts in capital spending across the economy over the next two years, significantly dampening the contribution of capital deepening to potential GDP growth. Meanwhile, the turmoil in the banking sector is likely to result in greater regulation and a lower appetite for risk, ensuring that financial services – one of the fastest growing sectors of the previous cycle – will grow at a slower pace in the future. Lower investment and the damage to high value added sectors will mean that output per hour worked contributes 2.1% a year to potential output, compared with 2.3% over the last cycle.
- Our forecast shows potential output growing by just 2.1% a year between 2006H2 and 2018H2, a much poorer performance than in the previous cycle and far lower than the Treasury's assumption of 2.75%. This points to further fiscal problems, with tax revenues likely to significantly undershoot the Treasury's projections, necessitating higher taxes. It also has implications for Regional Development Agency growth targets, while our weaker migration assumptions suggest a lower requirement for new house building.

Introduction

The UK economy recovered strongly from the recession of the early 1990s to record its longest period of unbroken economic growth – 63 quarters to 2008Q2. The period saw significant structural change, with services forging ahead of a dwindling manufacturing sector, while the Thatcher labour market reforms underpinned rapid growth in employment and a marked decline in unemployment, without a pick-up in wage inflation.

However, the UK economy has fallen into a deep recession which we expect to last at least a year, with the recovery phase likely to be more gradual than in previous downturns. It is also possible that over the longer term growth will not return to the heights of the past decade, given the damage that the recession will do to the factors which have underpinned the recent strong performance. This article looks at the factors underpinning potential output growth to assess the prospects for the UK economy over the next ten years.

Rapid expansion in the labour supply underpinned the strong growth of the last cycle

HM Treasury has now dated the last economic cycle as being between 1997H1 and 2006H2¹. Over this period the UK economy grew at an average rate of 2.9% a year, a marked improvement on the 2.4% a year it averaged over the previous cycle from 1986Q2.

In order to gain a clearer picture of the underlying reasons for the acceleration in output in the last cycle we can decompose the drivers of potential output² growth. Potential output is a function of the resources available and the way in which they are utilised, so varies according to changes in the working age population, employment rate, average hours worked and output per hour worked, i.e. productivity.

The table below compares the contributions to potential output growth across the past two cycles:

Contributions to potential output growth		
	per cent per annum	
	1986Q2-1997H1	1997H1-2006H2
Trend output per hour worked	2.0	2.3
Trend in average hours worked	-0.2	-0.4
Trend employment rate	0.4	0.4
Population	0.2	0.6
Potential output	2.5	2.9

Using this framework, it is clear that rapid improvement in labour-related factors was a significant factor behind the strong performance of potential output over the past decade. During the late 1990s a continuing decline in the NAIRU³, reflecting the impact of the Thatcher labour market reforms of the 1980s in increasing labour market flexibility, helped to push up employment rates. We estimate that the NAIRU has fallen from almost 10% in the early 1990s to about 5% now. In addition, the effective labour supply was boosted by a

¹ This article uses HM Treasury's cycle dates for ease of comparison. However, our model suggests that the last cycle did not end until 2008Q2 and that in 2006H2 – when the Treasury estimates that the cycle ended – actual output was around 0.3% above potential output

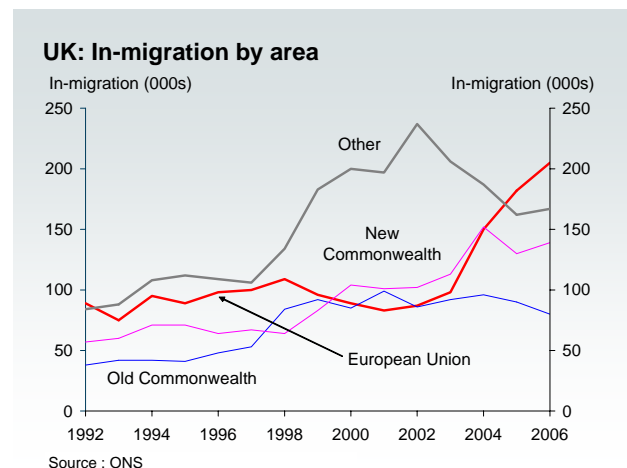
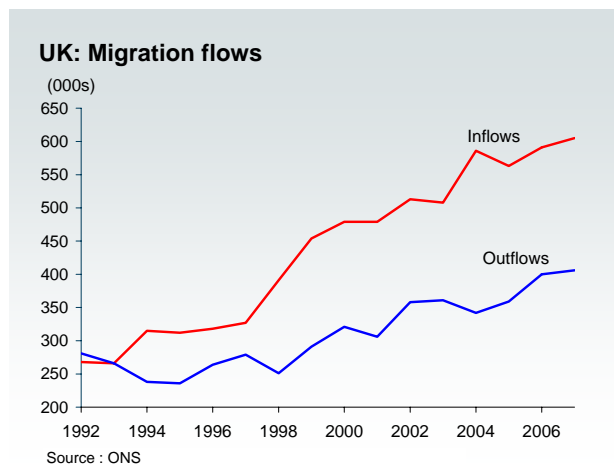
² Potential output is the level of output the economy would produce if labour and all other resources were fully and efficiently employed

³ NAIRU - Non-Accelerating Inflation Rate of Unemployment. This represents the rate of unemployment at which the utilisation of resources is such that the inflation rate tends to remain stable, assuming there are no exogenous shocks

pick-up in the rate of participation. Older workers delayed their retirement, while pensioners returned to part-time work. This may reflect the variety of part-time jobs on offer and the new-found willingness of employers to take older people on. But it was also a response to the pension crisis and the consequent deterioration of retirement prospects. These factors underpinned a continuation of the rise in the employment rate which had started in the latter part of the previous cycle.

Much of the recent success has been built on strong net migration

More recently, the effective labour supply has been boosted by robust net international migration, which has generated much stronger growth in the working age population. Inward migration doubled between 1993 and 2004, with a large increase in arrivals from the EU, 'New Commonwealth' – particularly the Indian subcontinent – and the Rest of the World (mainly non-Commonwealth parts of Africa, Asia, and Oceania). Net migration peaked in 2004, when the expansion of the European Union to include the A8⁴ countries caused inflows from the European Union to double. The government estimates that 1.1 million of the 2.7 million jobs created since it came to power in 1997 have been taken by migrant workers.



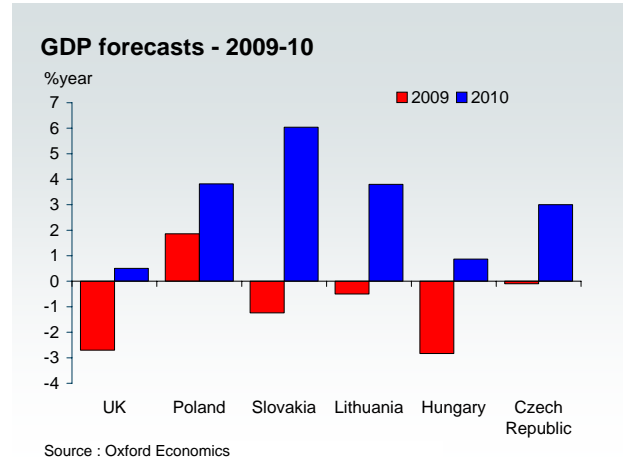
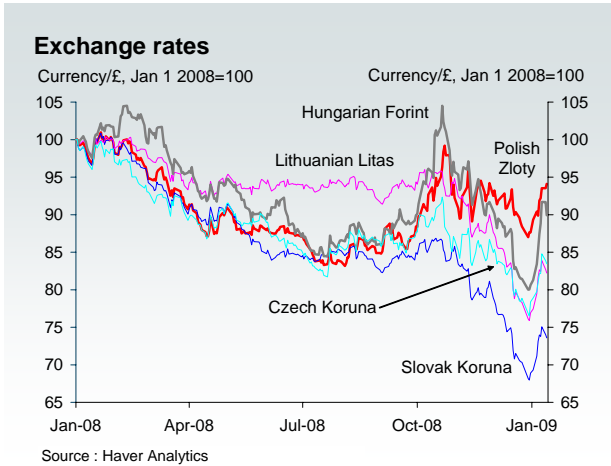
The recession will dampen short-term migration flows

The government's latest projections assume that the integration of Bulgaria and Romania, in addition to ongoing immigration from the A8 countries, will raise net migration to 230,000 a year on average over the period 2008-10 – only just short of 2004's record high. However, there is already evidence that migration from the A8 countries is slowing, with approved applications for the Worker Registration Scheme falling below 35,000 in 2008Q3, a drop of 39% compared with a year earlier and the lowest level since the scheme was introduced in 2004.

In-migration will be further dampened by the recession. There is strong evidence of a link between migration and employment growth, with the UK experiencing a period of net out-migration during the recession of the early 1990s which was then rapidly reversed as the economy recovered. Near-term prospects for sectors which employ significant proportions of migrant workers are poor, with the housing market and commercial property crashes triggering widespread job losses in construction, and the consumer slowdown dampening prospects for the retail and hospitality sectors. Furthermore, net in-migration associated with well-paid financial services jobs, particularly in London, is likely to drop sharply with employment in the sector expected to decline by more than 10% over the next two years.

⁴ A8 countries are Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia

Poorer UK job prospects and the stronger relative performance of many of the A8 economies will discourage potential migrants from moving to the UK and draw earlier migrants back home. This effect is compounded by the weakness of sterling – which has declined on average by 20% against the currencies of the larger A8 countries since the beginning of 2008, causing a narrowing of relative wage differentials – and the rapid improvement in living standards in the A8 countries, which further reduces the attractiveness of migrating to the UK.



There appears to be no appetite to compensate for falling levels of A8 migrants by allowing higher migration from elsewhere. The government has recently renewed restrictions on unskilled workers from Bulgaria and Romania, permitting only a small increase in the number of migrants allowed to work here as part of the seasonal agricultural workers scheme. The introduction of a new points-based system for migrants from outside of the European Union represents a further constraint, tightening entry requirements for all but the most highly skilled. These effects are likely to offset by a modest decline in “retiring” out-migration, with the property slump making it more difficult for pensioners to sell their houses and move abroad.

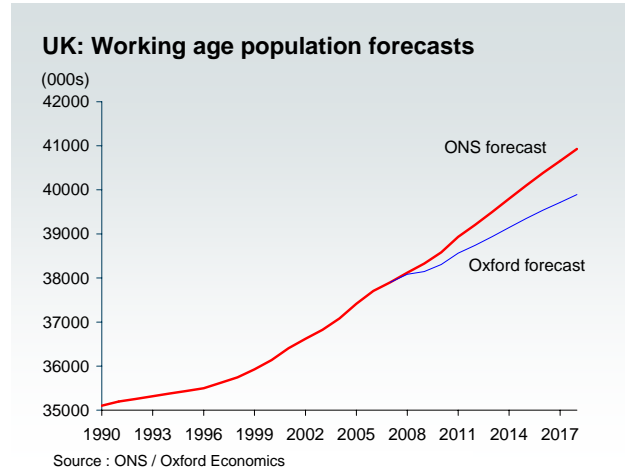
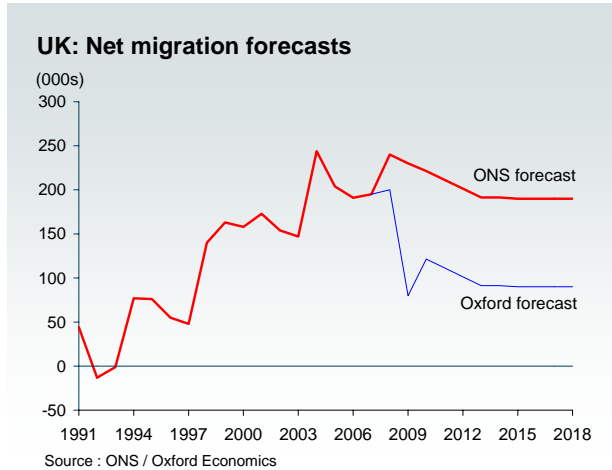
Overall we expect net migration to slow sharply over the next two years. Our forecast shows it declining to 80,000 this year at the height of the recession, just a third of the recent peak but still significantly higher than the comparable point of the 1990s recession. By the time that GDP growth has returned to trend – and employment has started to grow once more – in 2011, our forecasts show a cumulative in-migration shortfall of 390,000 compared with the official projections.

The ONS long-term migration assumptions also look much too strong

The official population projections assume that net migration will average 190,000 a year over the longer term, but this also looks far too strong. This assumption is based upon the extrapolation of a trend derived from a period of exceptional growth in migration, encompassing the enlargement of the European Union in 2004 and a period of robust growth in the UK economy. However, even prior to the recession there was evidence that the flow of migrants was slowing, with net migration totalling 198,000 in 2007 compared with 240,000 in 2004, and over the longer term we would expect these flows to continue to ease as living standards in Eastern Europe continue to catch up with the west. This trend is likely to accelerate from 2011 when other European countries relax their employment rules for migrants from the A8 countries, bringing them into line with the UK. With countries such as Germany and France closer to home for A8 migrant workers and more similar in terms of culture and language, the attractiveness of the UK as a destination is likely to diminish.

We therefore expect net migration to slow to 90,000 a year from 2013, resulting in a population shortfall of 1.09 million by 2018 compared with official projections. On average 95% of migrants are of working age, so

this shortfall will have significant implications for the size of the workforce. We estimate that the working age population will be 39.9 million in 2018, more than 1 million lower than the ONS projections. This will mean that population growth will contribute 0.5% a year to potential GDP growth in the current cycle – a little lower than the previous cycle (0.6%) but well below the Treasury’s assumption (0.8%).



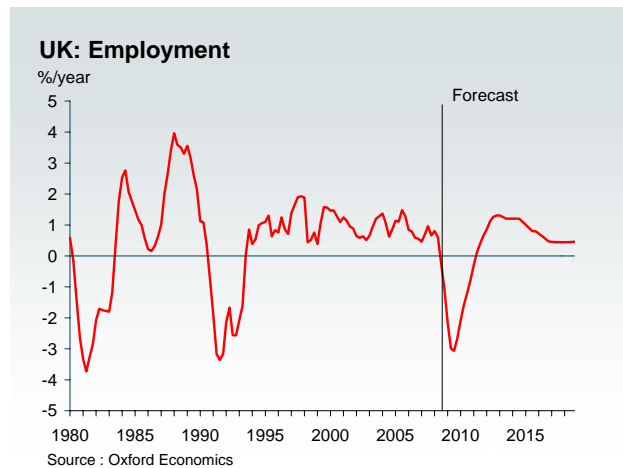
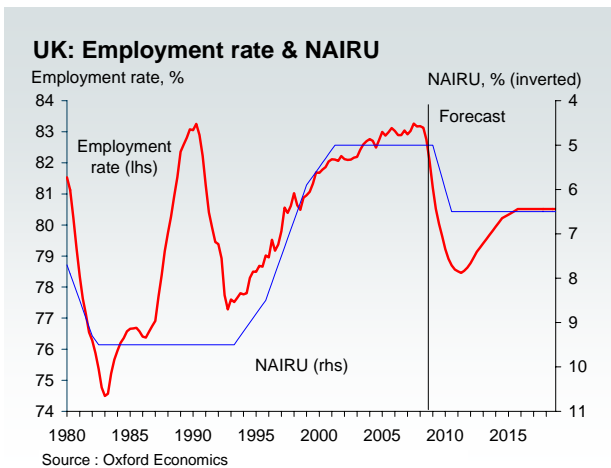
Our forecast assumes a small rise in the NAIRU

As stated previously, the continuing sharp decline in the NAIRU in the last economic cycle was a significant factor behind the rapid growth in potential output. However, with the UK entering a deep recession we expect the NAIRU to rise over the next two years, reflecting our forecast of a sharp and prolonged rise in unemployment. This will cause an erosion of skills amongst those who have lost their jobs and, when demand recovers, employers are likely to prefer to bid up the wages of existing workers rather than hire the unemployed workers who have lost their skills. Lower net migration will also make it harder to fill the type of low paid jobs that migrants have taken up over the past decade. However, at 6.5% the NAIRU will remain well below the levels of the 1980s, reflecting the ongoing rise in participation rates as older people work more, especially as the female pension age increases, and the introduction of stricter rules governing unemployment benefits. We expect the NAIRU to fall back to 5% over the longer term as workers retrain and the economy restructures.

We expect the recession to result in more than 1.3 million job losses from peak-to-trough, taking the employment rate⁵ below 79% by early 2011 from an average of just under 83% in 2008. As the economy gradually recovers employment growth will follow and – assuming that rates of inactivity remain broadly flat – our NAIRU assumption for the next decade implies a long-run employment rate of 80.5%, a little lower than the average over the past decade. This means that over the period from the end of the last cycle in 2006H2 to the end of 2018, changes in the employment rate will act as a drag on economic growth, reducing potential output by 0.1% a year, in contrast to the +0.4% contribution it made in each of the last two cycles.

A persistent decline in average hours worked has acted as a drag on growth prospects in each of the last two cycles, reflecting the movement from full-time to part-time working. The pace of decline peaked in the first half of the last cycle but has slowed in the period since and we concur with the Treasury’s assumption that hours worked will continue to fall at this slower pace over the current cycle. This will mean that it reduces potential growth by 0.3% a year, compared with 0.4% a year over the last cycle.

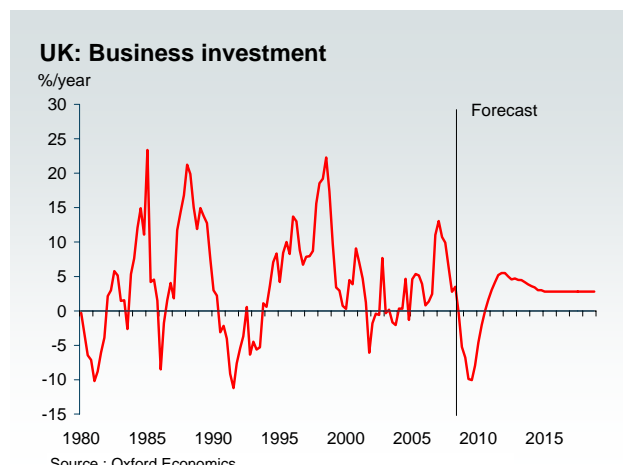
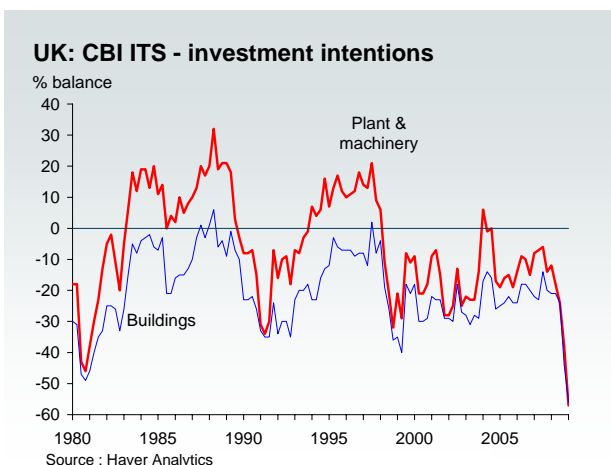
⁵ Employment rate is defined here as total employment (workforce jobs measure) as a proportion of the working age population



Falling business investment will slow growth in the capital stock

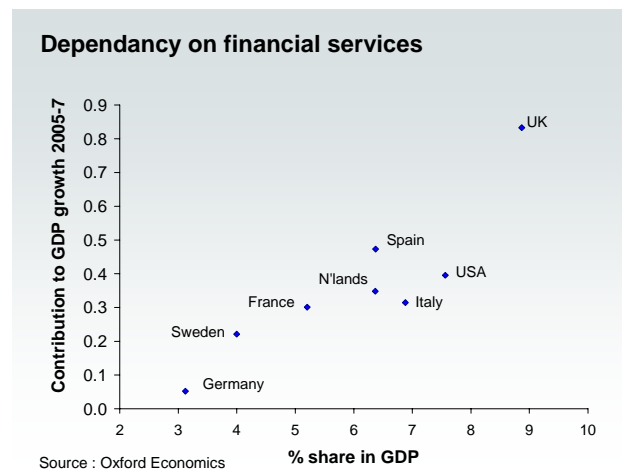
The last cycle was characterised by an increased contribution to growth from the expansion of the capital stock – i.e. capital deepening – with business investment growing at a rate of 4.7% a year between 1997H1 and 2006H2. However, the UK is now in the midst of a deep investment downturn; by 2008Q3 business investment had already fallen by 2.3% from its late-2007 peak, while the January *CBI Industrial Trends Survey* reported the weakest investment intentions in the 50-year history of the survey for both plant & machinery and buildings. As the credit crunch has intensified, access to credit has tightened significantly and, with the major industrialised countries in a deepening recession, business confidence has plummeted. We therefore expect firms to make significant cuts in capital spending across the economy.

Our forecast shows UK business investment declining by 10% over the next two years. Though we do expect capital spending to recover strongly as the economy enters the recovery phase, the deep decline in the short-term will significantly dampen the contribution of capital deepening to potential GDP growth over the current cycle.



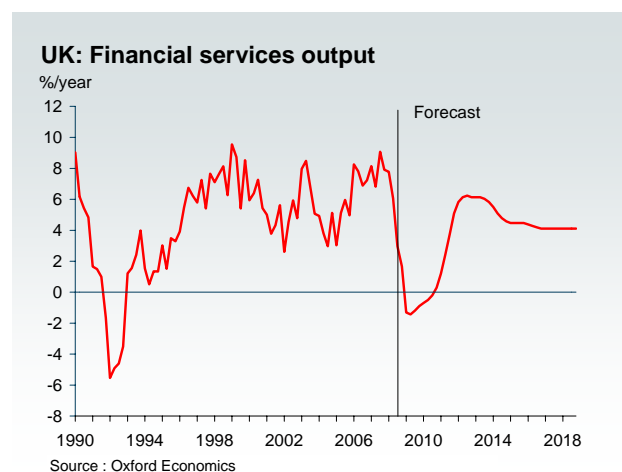
Structural changes are likely to dampen growth potential

The sectoral focus of the recession also has the potential to damage productivity growth. The strong performance over the last cycle was driven in significant part by the financial services sector, which achieved output growth of 6.1% a year – more than double that of the economy as a whole – and supported by the growth of a range of associated professional service sectors (e.g. legal, accountancy and consultancy). Financial liberalisation and the rapid expansion of credit markets underpinned significant structural change as the UK economy shifted towards financial and business services, while moving away from manufacturing. This trend accelerated in the years immediately ahead of the credit crunch and by 2007 financial services accounted for a much larger share of GDP in the UK (9%) than in any other major industrial nation, with the City of London Corporation’s *Global Financial Centres Index* ranking London as the top financial centre in the world.



The financial crisis and its ramifications mean that medium-term prospects for the financial services sector are likely to be much less strong than generally assumed ahead of the credit crunch. Much of the expansion of recent years has been driven by an increased appetite for risk, but the current problems are likely to reverse this, particularly now that two of the UK’s largest banks are partly state-owned. In future lending growth will be slower, as a result of tighter borrowing criteria and funding issues, and there will be a need to restructure their activities. There have also been moves towards greater regulation, with restrictions on dividend payments and remuneration being made a condition of the bank recapitalisation in October 2008.

Political considerations make further regulation likely – the bank recapitalisation package, in particular, was unpopular amongst the electorate so there will be moves to put in place a system which will prevent these problems recurring. Though firms in other major industrialised countries are likely to be subject to similar constraints, the UK will remain under challenge from emerging financial centres and we expect the financial services sector to grow at a much slower pace in the future. Our forecast shows output growth in the sector averaging 4% a year over the current cycle, compared with 6.1% in the last cycle. This is particularly important given that output per job in the financial services sector is more than double the whole economy average.



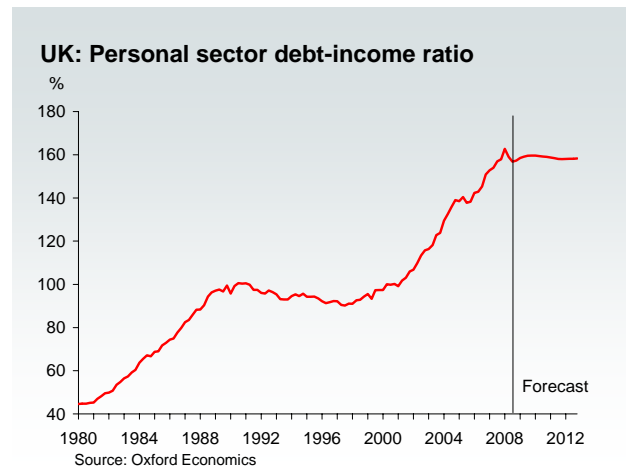
There will also be important spillover effects into other sectors with strong links to financial services. Business services, in particular, has been one of the fastest growing sectors over recent years, but the prospects for areas such as legal and accountancy – which have a high degree of dependence on financial services – will be dampened by the problems in the financial sector. With the recession permanently damaging these high value added sectors it will limit the ability of the economy to raise productivity growth to offset the weaker contribution from rising population and drag from lower employment. We expect output per hour worked to

contribute 2.1% a year to potential output, compared with 2.3% over the last cycle.

Therefore we expect potential output growth to be much slower in this cycle...

Several exceptional factors combined to generate output growth of 2.9% a year over last economic cycle. However, prospects for the current cycle have been undermined by the descent into deep recession, which has damaged the most successful sectors of the last cycle, reducing the expected contributions of productivity and population growth to potential output growth and meaning that a lower long-run employment rate is a drag on prospects. Though we expect the UK economy to gradually recover from the current downturn, our forecast shows potential output growing by just 2.1% a year between 2006H2 and 2018H2.

In addition to these supply-side factors, the demand-side also points to much slower growth in the future. The bedrock of the UK economy over the last cycle was the consumer, underpinned by rapid expansion in credit and the boost to wealth from surging house prices. The household-debt-to-income ratio rose from 92% in 1997 to 163% at the beginning of 2008, aided by low interest rates and wider availability of credit. At the same time, savings rates sank to historical lows, resulting in a decade-long consumer boom, with spending growth averaging 3.4% a year.



We expect the consumer to retrench over the next two years as unemployment rises sharply, which should ensure that the debt-to-income ratio edges downwards, as it did in the aftermath of the 1990s recession. And once the economy enters the recovery phase it is unlikely that consumers will seek to keep adding to debt levels in the way that they have in the past, particularly with the housing market expected to sustain slower price growth than over the past decade. Furthermore, the government has already pre-announced increases in personal taxation from 2010/11, with further rises likely to be needed to plug a significant structural budget deficit. This will further squeeze personal incomes and contribute to weaker consumer spending growth over the coming decade. The recession could prove to be the catalyst for an overdue rebalancing of the UK economy, but unless either investment or trade step forward to offset the weaker consumer, demand growth is likely to be much slower over the current cycle.

...and much weaker than the Treasury predicts...

Our forecast is considerably lower than that of the Treasury, which assumes output growth of 2.75% from 2006H2 onwards, albeit with a 4% reduction in trend growth between mid-2007 and mid-2009 to take account of the impact of the credit crunch.

Contributions to potential output growth		
per cent per annum		
	Oxford Economics	HM Treasury
Trend output per hour worked	2.1	2.3
Trend in average hours worked	-0.3	-0.3
Trend employment rate	-0.3	-0.1
Population	0.5	0.8
Potential output	2.1	2.8

A decomposition of the forecasts shows three significant differences:

- The Treasury assumes that the pace of productivity gains will pick up in the current cycle, despite evidence of a significant deceleration over the second half of the last cycle. Our forecast shows output per hour contributing 0.2% a year less than the Treasury projections, which is broadly in line with the pace achieved in the second half of the last cycle and consistent with slower growth in high value added sectors such as financial services and weaker business investment.
- We expect the NAIRU to increase from 5% to 6.5% over the next two years, thus reducing the employment rate. The Treasury also forecast a lower employment rate, but this only reduces potential output growth by 0.1% a year, compared with our forecast of 0.3%.
- The Treasury forecast uses the 2006-based population projections but, as previously stated, we believe that these significantly over-estimate inflows of migrants due to the extrapolation of an exceptional period of in-migration. The official projections contribute 0.8% a year to potential growth, compared to 0.5% in our forecast.

...which has a number of implications for the economy

An undershoot in economic growth of the magnitude that we forecast will have a significant impact on a range of areas. Firstly, it is likely to cause a considerable shortfall in government revenues. Though the Treasury's fiscal projections adopt a more cautious view of trend output of 2.5% a year, this is still significantly higher than our forecast of 2.1% a year. The fiscal projections in the Pre-Budget Report show that real growth of 2.5% a year will generate growth in nominal current receipts of around 6.6% a year over the long-term, but our analysis points to much slower growth in receipts of roughly 5.5% a year. This would ensure that by 2015/16, when the Treasury expects the current budget deficit to be eliminated, there is a cumulative shortfall in tax revenues of £40 billion compared with the Treasury's projections. Therefore, we expect these overly optimistic growth assumptions to necessitate higher taxes and even greater government spending restraint in the future.

There will also be implications for bodies that have performance targets which are calibrated according to the government's long-term projections. Regional Development Agencies are assessed according to a range of targets but many of these are based upon the Treasury's long-term forecasts for the UK economy. This will be of importance to regions which are particularly dependent on migrant labour and our forecasts imply significantly lower population growth for areas such as London and the South East. This will also have implications for the new house building targets set by the Department for Communities and Local Government; our projections suggest that the UK population will be more than 1 million lower than official projections by 2018, suggesting a significantly lower level of new houses will be required in future.

Though the experience of past cycles often offers an insight into prospects for the current one, we expect this cycle to be very different from the last one. Less rapid productivity growth, a lower trend employment rate and slower growth in the working age population are likely to lead to significantly weaker potential output growth over the current cycle.



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**Glasgow & Clyde Valley Strategic Development
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**Economic outlook and
scenarios for the Glasgow and
Clyde Valley region
Final Report**

April 2010

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1 Introduction

In 2005, Oxford Economics¹ produced economic forecasts for the Glasgow / Clyde Valley area with consideration of the potential for a sustained growth scenario. Since then, the UK economy entered into a largely unforeseen recession – the longest recession since records began in the 1950s – with the consequence that all regions experienced a decline in economic growth. In late 2009, Oxford Economic produced a short ‘thinkpiece’ for the Glasgow Clyde Valley Strategic Development Plan Authority (GCVSDPA or the Authority) which assessed the strategic and economic implications of the recession on the Scotland economy. Based on the findings of this report, the Authority has come to the view that the recovery is likely to be slow with muted net migration into the region in the medium term. Furthermore, it was concluded that there would be a significant time lag between the current post recession position of the region and achieving the sustained growth levels of the scenario developed in 2005.

As such, the Authority have commissioned Oxford Economics to revisit the previous work assessing in more detail the implications this on the Glasgow Clyde Valley City Region. In particular we will assess the regional implications of alternative outlooks in relation to three key risks:

1. Global trends in regionally significant economic sectors – e.g. finance and business
2. Housing price differential between Glasgow city region and southern UK
3. More optimistic views of the scale of ‘dampening’ of net migration flows to the city region.

The remainder of this report will be structured as follows:

- **Glasgow and Clyde Valley economy today:** this section will include analysis of the Glasgow and Clyde Valley region examining the current economic structure of the area.
- **Within Glasgow and Clyde Valley:** this section will be similar to the previous section in that it will provide analysis of the current economic structure of the City Region with a specific focus on its constituent local authorities.
- **Looking ahead - recovering from recession:** this section will provide an assessment of the current outlook for the Glasgow Clyde Valley area. These baseline forecasts will represent the Oxford view of the scale and depth of the recession in the City Region and what shape the recovery might take.
- **Alternate futures for Clyde Valley:** this section will contain analysis if how the outlook for the city-region could look under different outlooks.

¹ In 2005 this report was produced by Regional Forecasts Ltd which formally merged with Oxford Economics in 2007

2 The Glasgow and Clyde Valley economy

This section examines the current economic profile of the Glasgow Clyde Valley economy with particular focus on population, employment, sectoral/occupational structure and productivity. This section is similar to chapter 2 of the 2005 report and serves the same purpose which is to provide some context for the region and how it stands relative to the Scotland region. This will help to set the scene as we discuss the outlook for the area, and more specifically how it is likely to be affected by the recession.

Table 2.1: Relative importance of the Glasgow/Clyde Valley economy, 2008

	2008	% of Scotland
Total population (000s)	1755	34.0
Total employed (000s)	929	34.0
GVA (£m, 2005 prices)	32866	34.4
Land	3383km ²	4.2

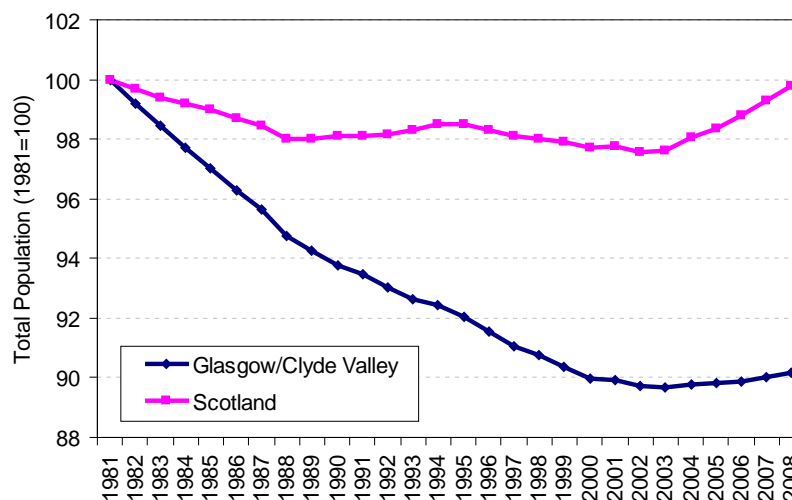
Source: Nomis, ONS

Table 2.1 above summarises the contributions of the Glasgow Clyde Valley economy in terms of population, employment and GVA showing that it accounts for around a third of the Scotland economy whilst only encompassing 4.2% of the size of the region.

2.1 Population and migration

In terms of population, up until the turn of the century the City Region endured a period of declining population – a trend that has been observed in most of the cities throughout the UK. Figure 2.1 shows that population decline in the City Region was much faster than in the Scotland region reflecting high levels of outward migration from the inner city disadvantaged areas and rising living costs in the more urbanised centres. The downward trend was sharpest during the 1980s and early 1990s reflecting a period of contraction within the manufacturing sector – a sector which was once a major part of the Glasgow Clyde Valley economy which deteriorated sharply during this time.

Figure 2.1: Population – Glasgow/Clyde Valley and Scotland, 1981 – 2008(1981=100)



Source: Nomis

Since 2000 there was a marked slowdown in the pace of the population decline reflecting the significant acceleration in the rate of inward migration. This is partially due to city living becoming a more attractive lifestyle to many, particularly young graduates. In addition with the manufacturing sector deteriorating and, the service sector becoming the UK's key source of job growth, attracting graduates to the inner city areas seeking better employment prospects the economy has begun to shift towards urban locations. As such, regeneration initiatives launched at the beginning of the century improved city centres making them more appealing places to work and live further supporting the 'urban draw'.

Table 2.2: International and domestic migration into Scotland, 2002-2008

	2002	2003	2004	2005	2006	2007	2008
Domestic net migration	4,700	7,000	15,500	12,500	8,900	8,800	11,500
International net migration	-6,000	4,100	11,700	7,300	12,700	16,800	7,700
Total net migration	-1,300	11,100	27,200	19,800	21,600	25,600	19,200

Source: GROS

Note: Figures exclude 'other changes'

In 2003, there was a surge in the level of migration with both domestic and international in-migration levels increasing. The higher levels of international migration was mostly from Eastern Europe as migrants workers came to Scotland taking a large proportion of low skilled jobs. At its peak, international migration accounted for 63% of total net migration into Scotland in 2007, and 25.2% (4,300) of those people went to the Glasgow Clyde Valley area.

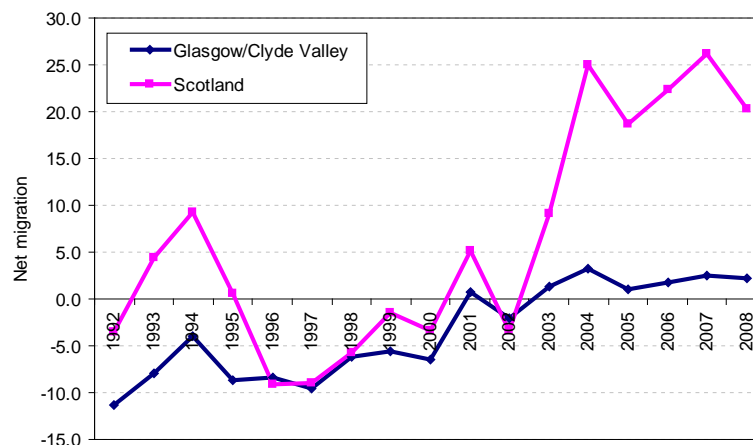
Table 2.3: International and domestic migration in Glasgow Clyde Valley, 2007-2008

	2007	2008
Domestic net migration	-1,300	0
International net migration	4,200	2,000
Total net migration	2,900	2,100

Source: GROS

Figure 2.2 shows the net migration trends in Glasgow Clyde Valley and Scotland over the past 16 years. With the exception of three years of inward net migration, Scotland had a net out-flow of migrants for most of the 1990s, during the same period the Glasgow Clyde Valley area recorded a period of persistent outward migration. Despite an outward flow the level of migration increased steadily in the late 1990s and early 2000s and in 2003 both Scotland and Glasgow Clyde Valley began to experience a net inflow of migrants.

Figure 2.2: Net migration – Glasgow / Clyde Valley and Scotland, 1992-2008



Source: GROS

Note: Figures include 'other changes'

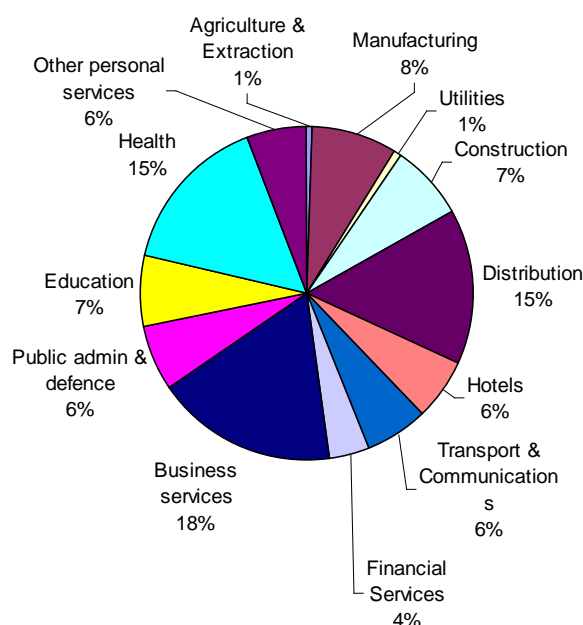
The latest migration data available is for 2008 and was collected in June 2008. It is worth bearing in mind that at this stage the recession was beginning to gather pace but not necessarily in full flow. Therefore the impacts of the recession are not yet fully evident in the latest data. There was a fall in the level of migration in 2008 of around 6,400 people (excluding the 'other changes category which includes the number of prisoners and armed forces stationed at home). The level of international migration fell by 9,100 people whereas domestic migration increased by 2,700 people and this is a trend we expect to see continue into 2009 up as many migrants returned home during the recession as a result of fewer job opportunities in Scotland. We will discuss this in more detail in the forecast section of the report.

2.2 Employment

2.2.1 Current structure

The latest employment data for Glasgow Clyde Valley is for 2008 and shows that the majority of employment in the area is in business services with 18% of total employment which is to be expected given the urban nature of the area. This is followed by health and distribution employment both with a 15% share of total employment. Despite rapid decline in the 1980s and 1990s the manufacturing sector still holds a significant proportion of overall employment by urban standards accounting for 8% of total employment.

Figure 2.3: Total employment structure in Glasgow/Clyde Valley, 2008

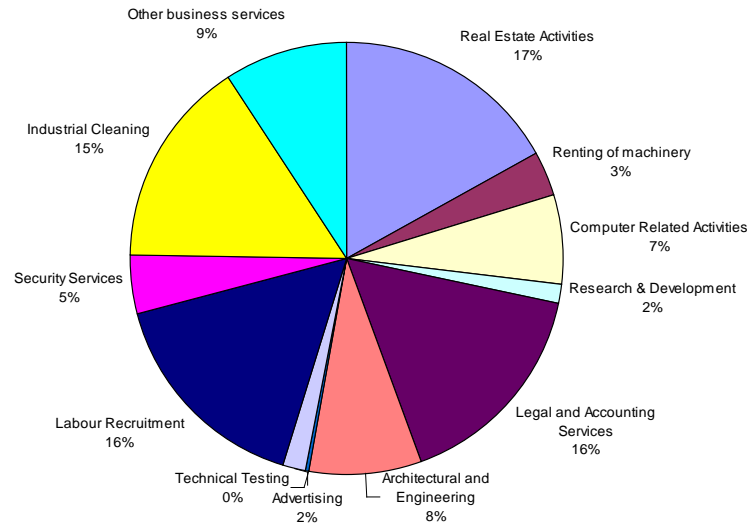


Source: ABI, Oxford Economics
Note: Includes self employed

Within business services, the largest sector is real estate activities with 17% of total employment in 2008 reflecting the significant growth in the housing market over the past decade however the economic downturn had devastating impacts on the housing market and this sector is likely to have suffered losses since 2008. This is followed by legal and accounting services with 16% of total employment. Labour recruitment is also well represented in the region however this sector is often subject to mis-classification problems – for example, firms that employ temporary nursing staff should arguably have staff counted be in the health sector but they will be counted within labour recruitment.

Industrial cleaning also represents a large share of business services in the Glasgow Clyde Valley region at 15% of total business services. Since this sector is largely dependent upon growth in other sectors - particularly other sectors within business services as much of the employment will be office cleaning - this is a trend that was to be expected.

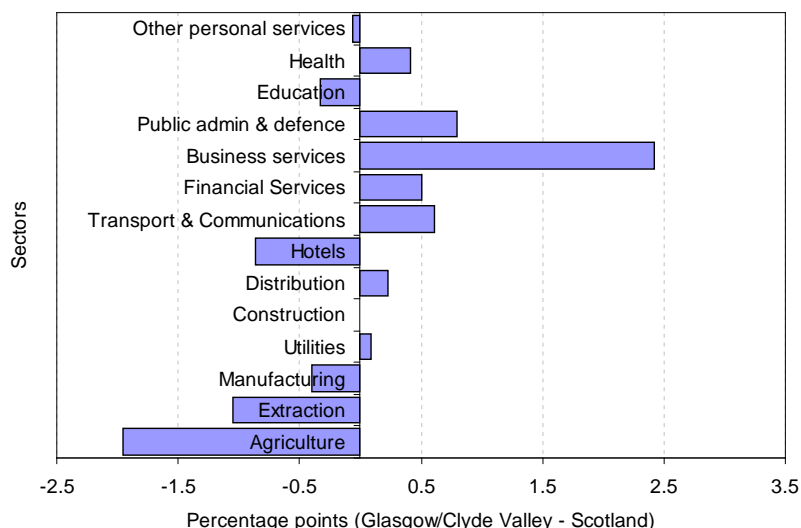
Figure 2.4: Structure of business services in Glasgow Clyde Valley, 2008



Source: ABI

As might be expected due to its high profile urban status and dominance within the region, the Glasgow Clyde Valley area has a much higher concentration of employment in service sector – both private and public services. Business services has a percentage share of total employment that is 2.4 percentage points higher than Scotland as a whole. Public administration, transport & communications and health are also major sectors for the region. Since the last report, financial services employment in the City Region has moved from being a ‘lower concentration’ sector to a ‘higher concentration’ sector relative to Scotland as a whole with significant job losses in Edinburgh between 2004 and 2006 which has thus weakened its dominance as the financial centre within Scotland and propelling financial services’ relative position in Glasgow Clyde Valley. However, given that the downturn began with the credit crunch, this could be viewed as more of a risk to the area rather than a strength looking into the short run.

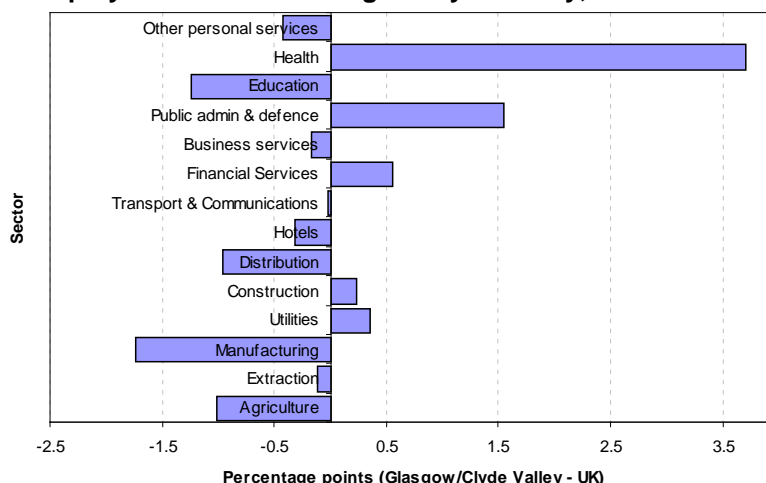
Figure 2.5: Relative employment concentration - Glasgow/Clyde Valley, difference from Scotland, 2008



Source: Oxford Economics

Figure 2.5 sets the position of the Glasgow Clyde Valley region in the context of the UK sectoral mix. In this regard, the area is much more proficient in health employment and public administration reflecting the nature of public spending in Scotland and the urban structure of Glasgow and Clyde Valley— particularly on health care. Similarly the region has a higher share of financial services compared with the UK. Despite being stronger in terms of business services compared with Scotland, the City Region is much weaker than the UK and similarly it is less dependent upon transport & communications although not to the same extent as business services.

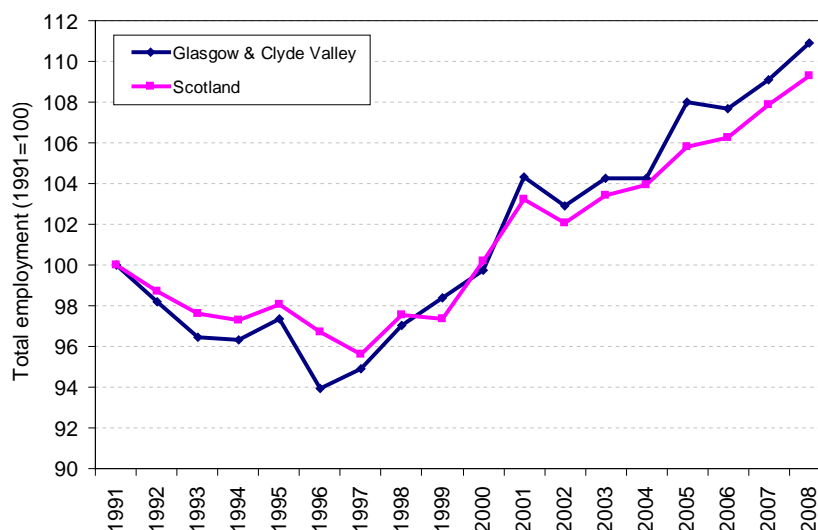
Figure 2.6: Employment shares - Glasgow/Clyde Valley, difference from UK, 2008



Source: Oxford Economics

2.2.2 Recent trends in employment

Despite falling population over the past two decades, most urban centres have enjoyed job creation as growth in the service sector began to gather pace. Glasgow Clyde Valley in particular, enjoyed this pattern of growth as firms favoured city centre locations as opposed to less urban based locations due largely to the graduates and labour needs of the service sector.

Figure 2.7: Total employment - Glasgow/Clyde Valley and Scotland, 1991 – 2008(1991=100)

Source: ABI, Oxford Economics
Note: Includes self employment

Figure 2.6 shows employment growth in Glasgow Clyde Valley alongside total employment growth in Scotland. It is immediately apparent that the trend in the City Region almost mirrors the Scotland trend with a steady trend of employment growth since 1996, although there were a few 'bumps' along the way during which employment declined. The sharp decline in 2002 is likely to have been a result of the dot-com bubble. The declining employment at the beginning of the 1990s reflects manufacturing losses – a trend which was evident at a regional and national level. The strong growth of the late 1990s and early 2000s reflects the service sector expansion due in a large part to high levels of inward investment in private sector firms – particularly call centres. Employment continues to grow according to the latest data which is available up until 2008 however the impact of the recession will not be apparent until 2009.

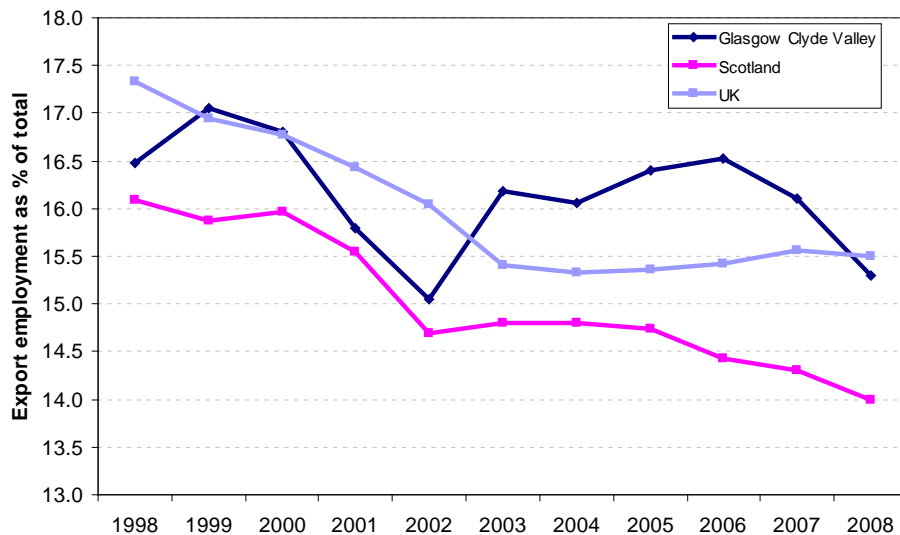
Table 2.4: Change in employment - Glasgow/Clyde Valley, 1998-2008

	% change	
	Scotland	Glasgow/ Clyde Valley
Agriculture	-5.4	30.7
Extraction	11.7	-12.8
Manufacturing	-33.0	-34.2
Utilities	-9.5	-13.5
Construction	15.9	4.1
Distribution	6.6	7.6
Hotels	10.0	16.0
Transport & Communications	13.5	8.2
Financial Services	12.7	28.2
Business services	48.8	54.8
Public admin & defence	-5.5	3.1
Education	38.1	31.6
Health	42.1	48.2
Other personal services	23.4	15.0
Total	12.1	14.3

Source: ABI / Oxford Economics
Note: Includes self employed

In net terms the employment growth over the past decade has all been within the services sector with the highest level of growth in business services which saw the creation of around 57,150 net jobs over in the past ten years in Glasgow Clyde Valley which grew at a rate that is faster than Scotland as a whole. Around a third of the additional business services jobs were in real estate activities, with legal & accounting services, labour recruitment and industrial cleaning accounted for 16.7%, 15.3% and 13.7% of total additional business services jobs respectively. The public sector was the next biggest source of job creation, which looked at in totality created a combined 63,850 net jobs over the past decade. Most of these jobs were in health reflecting the nature of public spending on health services in Scotland, whilst education also accounted for a significant proportion of job growth however this is also perhaps a factor of government policy which focussed on front line services in the past decade. Employment in public administration increased in Glasgow Clyde Valley despite a decline in Scotland however this is a trend that is evident throughout the UK where government departments which have expanded which tend to be located in cities. Devolution has also provided a stimulus to public admin jobs levels. Most of the employment decline in the last decade was, unsurprisingly, mainly concentrated within the manufacturing sector and this is a trend that is evident both in Glasgow Clyde Valley and at the Scotland regional level.

Figure 2.8: Share of employment in high-export sectors – Glasgow/Clyde Valley, Scotland and UK, 1998-2008



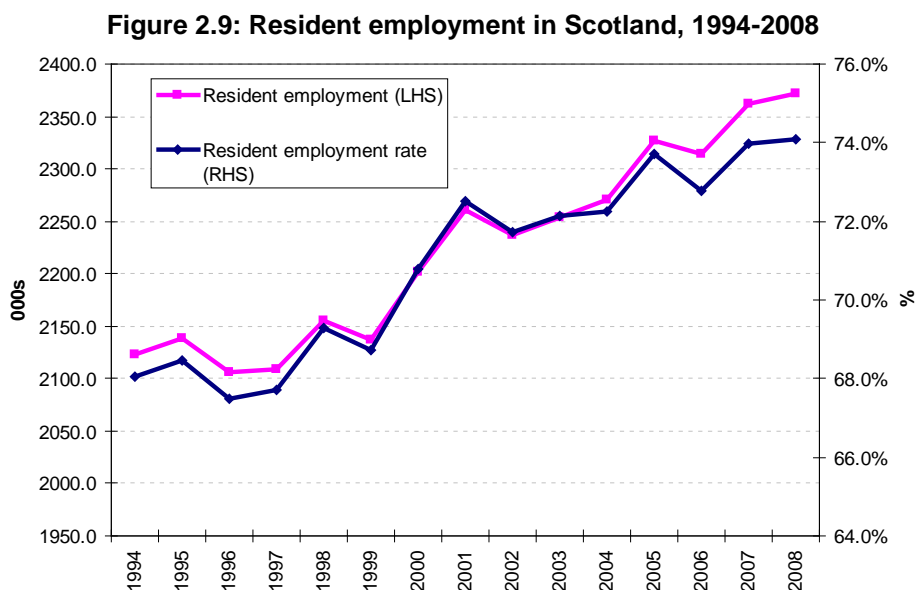
Source: ABI

Note: High exporting sectors have been identified using UK Input-Output tables and encapsulate those sectors that represent at least 20% of total demand **and** have an export value that exceeds £500million

Figure 2.8 shows the proportion of employment in high export sectors (a full list of the high-export sectors can be found in the annex) compared across Glasgow Clyde Valley, Scotland and the UK. At the beginning of the last decade there was a universal decline the share of high export sector employment reflecting the strong decline in manufacturing, set alongside a growing public sector and distribution & retail – both sectors that are almost entirely dependent upon local demand. By around 2002 / 2003 there was a levelling off in this trend as the pace of manufacturing decline began to slow – in the UK the trend has been virtually flat for the last 5 years. In Scotland, the trend flattened out for a few years but has since resumed its downward trend but remains below the UK average. The Glasgow Clyde Valley exporting content increased sharply in 2003 and remained above the UK for a few years, however, similar to the regional average, it has since begun to decline again and in 2008 it fell below the UK average.

2.3 Resident employment

The resident employment rate (residents in work divided by working age population) has risen steadily in Scotland during the last decade, reflecting the strong labour market performance discussed earlier.



Source: APS, Oxford Economics

2.4 Occupational structure

Occupations data comes from the Annual Population Survey which represents a 4 quarter average of the quarters in 2008.

Table 2.5: Occupational structure – Glasgow / Clyde Valley and Scotland, 2008

	Glasgow Clyde Valley	Scotland	Difference from Scotland
Managers & senior officials	12.9	13.0	-0.2
Professional occupations	12.5	12.9	-0.4
Associate prof & tech occs	15.2	14.9	0.3
Administrative & secretarial	11.9	11.5	0.4
Skilled trades occupations	10.2	11.7	-1.5
Personal service occs	9.5	8.9	0.5
Sales & customer services	9.5	8.1	1.3
Process, plant & machine	7.3	7.5	-0.2
Elementary occupations	11.0	11.3	-0.3
Total	100.0	100.0	0.0

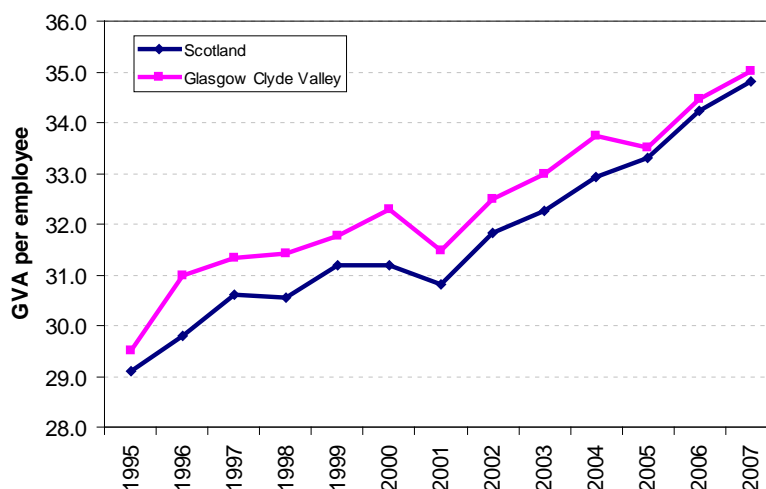
Source: APS

Broadly speaking, the occupational structure in Glasgow Clyde Valley is very similar to the Scotland average. However notably, there is a lower concentration of skilled trades occupations than the national average reflecting a more modest contraction in the agriculture and a stronger presence of business services; alongside a higher concentration of sales & customer services occupations which is likely to be a function of the strong retailing employment in Glasgow.

2.5 Productivity

Productivity growth is measured here as nominal GVA which is taken directly from Regional Accounts per employed person including the self employed.

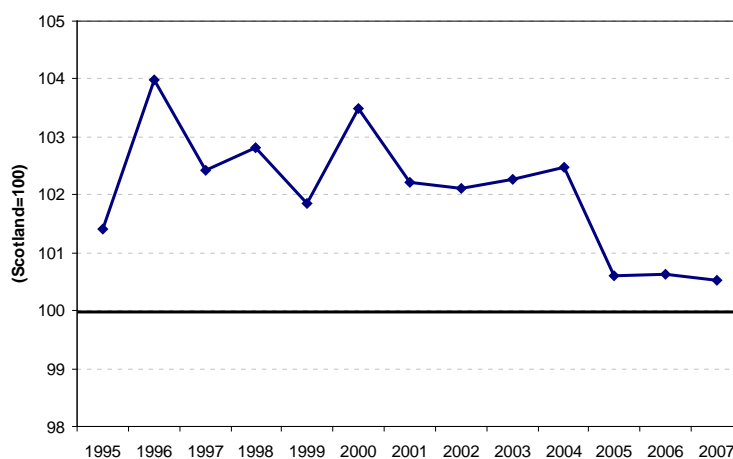
Figure 2.10: Productivity in Glasgow Clyde Valley and Scotland, 1995-2008



Source: Regional Accounts, ABI, Oxford Economics

Productivity has been growing steadily since 1995 reflecting the strength of the expanding business services sector. There was a contraction in productivity in 2001 in both Scotland and Glasgow Clyde Valley which was a product of the crash of the dot.com bubble. Glasgow Clyde Valley was impacted to a greater extent owing to its greater dependency on business services employment. Following this total productivity in Scotland continued to rise, however productivity in Glasgow Clyde Valley stumbled in 2005. This was due to the fact that employment growth in 2004 had stalled with overcompensating employment growth in 2005 of 3.5% whilst GVA only grew by 2.8% in the same year, hence leading to a contraction in productivity. The consequence of this was a sharp drop in relative productivity in 2005, however Glasgow Clyde Valley remains above the Scotland average in productivity terms.

Figure 2.11: Relative productivity (GVA per employed person) - Glasgow/Clyde Valley, 1995-2007 (Scotland = 100)



Source: Regional Accounts, ABI, Oxford Economics

3 The economies within the Glasgow and Clyde Valley region

In this section we will focus on the local authority contributions to economic growth in the Glasgow Clyde Valley City Region.

3.1 Population

Glasgow City is the largest local authority within the Glasgow Clyde Valley area with a third of total population, followed by North Lanarkshire with 18.5% of total population and South Lanarkshire accounting for a further 17.7% of total.

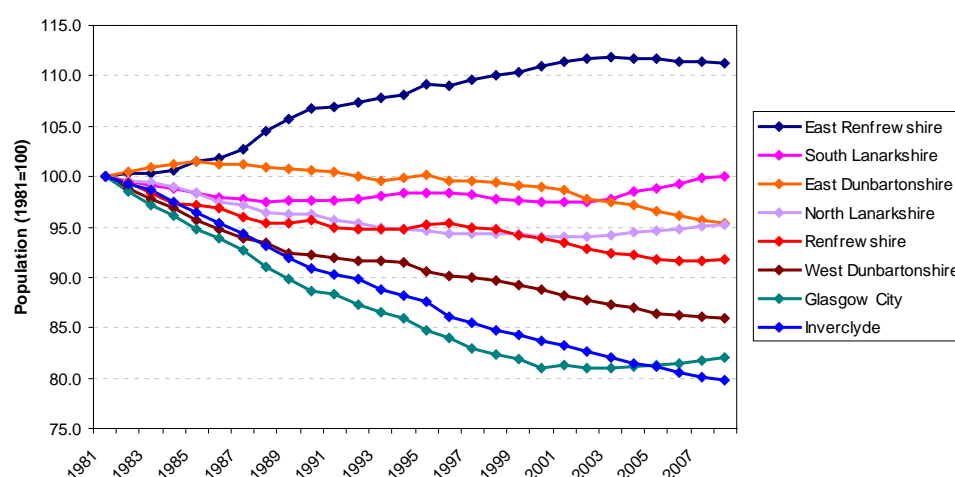
Table 3.1: Population - Glasgow / Clyde Valley local authorities, 1998-2008

	% of Glasgow/Clyde Valley, 2008	% change 1998-2008
East Dunbartonshire	6.0	-4.0
East Renfrewshire	5.1	1.0
Glasgow City	33.3	-0.5
Inverclyde	4.6	-5.8
North Lanarkshire	18.5	1.0
Renfrewshire	9.7	-3.1
South Lanarkshire	17.7	2.2
West Dunbartonshire	5.2	-4.2
Glasgow/Clyde Valley	100.0	-0.6

Source: Nomis

In total, population in Glasgow Clyde Valley shrank by 10,800 people over the past decade. Locally, three regions – Inverclyde, West Dunbartonshire and East Dunbartonshire – all contracted by more than 4,000 people in the ten years to 2008. However this depopulation was offset elsewhere in the City Region by population growth in South and North Lanarkshire with combined growth of around 10,000 people.

Figure 3.1: Population – Glasgow / Clyde Valley local authorities, 1981- 2008



Source: Nomis

Looking at trends over the past decade East Renfrewshire enjoyed the fastest growth in late 1980s and 1990s levelling off at the turn of the century. Inverclyde exhibits the sharpest declining population which has been in steady decline since 1981. In Glasgow, population growth is similar to that observed in most UK cities – i.e. rapid depopulation during the years when manufacturing employment had been declining and people moved out of inner city disadvantaged areas followed by a reversal in

the downward trend as city living becomes increasingly appealing as regeneration initiatives begin to take effect. Interesting of the 8 local authorities, only East Renfrewshire has higher population in 2008 than in 1998.

3.2 Employment rates and unemployment

Resident employment rates here are estimated by Oxford Economics based on data from the LFS which is adjusted to be consistent with the census employment rates in 2001. The unemployment rates are calculated as a 12 month average of the claimant unemployment data published on Nomis.

Table 3.2: Resident employment rate, 2008

	Resident employment rate 2008 (%)
East Dunbartonshire	78.3
East Renfrewshire	77.0
Glasgow City	66.6
Inverclyde	70.5
North Lanarkshire	72.1
Renfrewshire	75.5
South Lanarkshire	77.8
West Dunbartonshire	72.6
Scotland	72.9

Source: APS / LFS, Census, Oxford Economics

Glasgow City had the lowest resident employment rate in 2008 as tends to be the case in city areas chiefly because due to high living costs in inner city areas driving people out of the city into more built up wealthier suburban areas and a higher proportion of students. The unemployment rate in Glasgow in 2008 was the second highest in the City region and is higher than the national average. East Dunbartonshire, East Renfrewshire and Renfrewshire have the highest employment rates and lowest unemployment rates within wider Glasgow Clyde Valley which is to be expected given that these areas have large proportions of out-commuting to Glasgow City with 7.1%, 5.6% and 6.4% of their working residents commuting into Glasgow respectively in 2008.

Table 3.3: Unemployment rate change 2008-2009

	Unemployment rate 2008 (%)	Unemployment rate 2009 (%)	pp difference
East Dunbartonshire	1.5	2.7	1.2
East Renfrewshire	1.2	2.4	1.2
Glasgow City	3.7	5.5	1.8
Inverclyde	3.8	5.3	1.5
North Lanarkshire	2.7	5.0	2.3
Renfrewshire	2.5	4.2	1.7
South Lanarkshire	2.2	4.2	2.0
West Dunbartonshire	3.8	5.7	1.9
Scotland	2.8	4.5	1.7

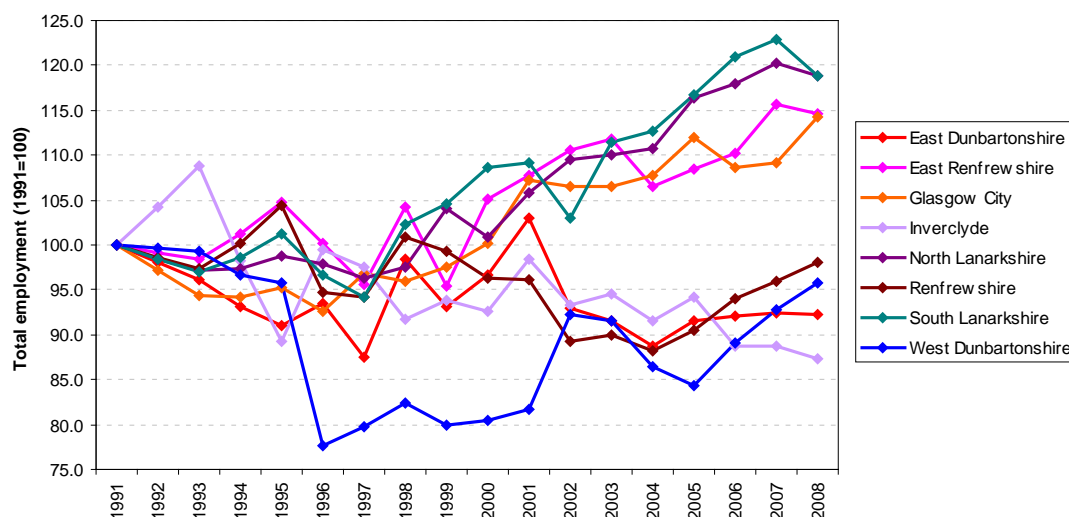
Source: Nomis

Claimant unemployment data has the advantage of being a more timely indicator and in light of the current recession is perhaps the best measure in terms of quantifying the scale of the recession. There

was a universal increase in unemployment rates in 2009. The largest increase in the last year was North Lanarkshire which increased by 2.3 percentage points. The highest unemployment rate observed was in West Dunbartonshire at 5.7% followed by Glasgow City at 5.5%. Only two areas had unemployment rates lower than 4% in 2009 and these were East Renfrewshire with an unemployment rate of 2.4% and East Dunbartonshire at 2.7%.

3.3 Workplace employment

Figure 3.2: Total employment – Glasgow / Clyde valley local authorities, 1991 – 2008 (1991=100)



Source: ABI, Oxford Economics

Compared to 1991, four of the eight local authorities that make up Glasgow Clyde Valley have employment levels higher in 2008. These areas are South Lanarkshire, North Lanarkshire, East Renfrewshire and most strikingly, Glasgow.

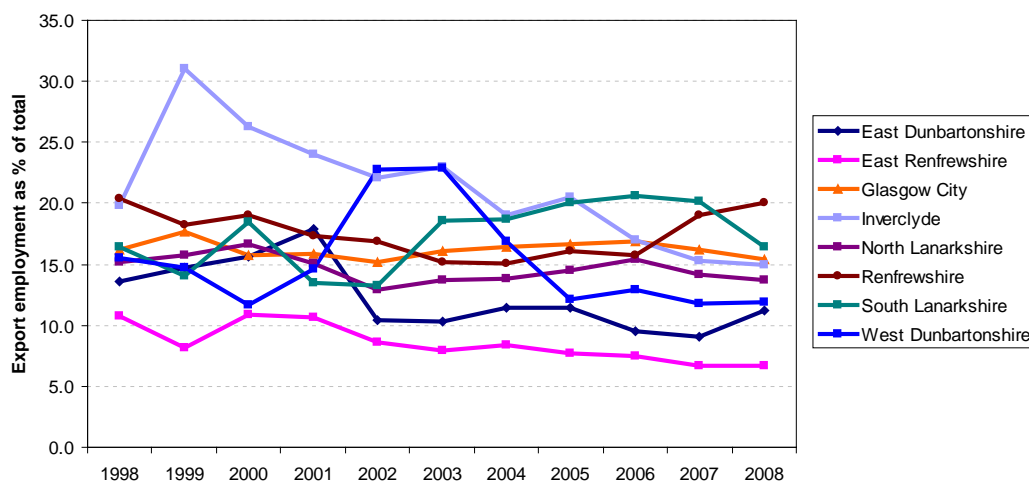
In total, employment grew by 91,200 jobs in the Glasgow Clyde Valley area over the period 1991-2008. The largest increase was in Glasgow City with an increase of 54,700 jobs by 2008. This was followed closely by North and South Lanarkshire which both enjoyed a boost in employment levels of 22,100 jobs equating to 18.9% and 18.8% of total employment respectively. The largest decline in any one local authority was in Inverclyde which contracted by 4,700 jobs between 1991 and 2008 representing 12.7% of the local workforce.

Table 3.4: Total employment growth by local authority, 1991-2008

	1991-2008	%
East Dunbartonshire	-2400	-7.7
East Renfrewshire	2800	14.4
Glasgow City	54700	14.2
Inverclyde	-4700	-12.7
North Lanarkshire	22100	18.8
Renfrewshire	-1800	-2.0
South Lanarkshire	22100	18.9
West Dunbartonshire	-1700	-4.3
Glasgow Clyde Valley	91200	10.9

Source: ABI, Oxford Economics

Figure 3.3: Share of employees in employment in high export sectors - Glasgow / Clyde Valley local authorities, 1998-2008



Source: ABI

Note: High exporting sectors have been identified using UK Input-Output tables and encapsulate those sectors that represent at least 20% of total demand **and** have an export value that exceeds £500million

As discussed earlier, there was an apparent shift in employment in exporting sectors to sectors which were driven almost entirely by local demand. However, in 2002 / 2003, the downward trend in high export sectoral employment tapered off with some growth in the Glasgow Clyde Valley region in 2002. Figure 3.3 above shows the level employment in high export sectors by local authority within the City Region and the spike in the areas export employment was evidently due to a spike in employment in West Dunbartonshire. By 2005, this increase in employment came back into alignment with the previous trend and taking into account volatility in the ABI series, it is likely that this may have been a data anomaly rather than an actual outturn. Broadly speaking employment growth in high export sectors have remained relatively flat in more of the local authorities with the exception of Inverclyde which has been in decline since 1999 due to the scaling back of its large manufacturing base.

Table 3.5: Employment in financial and business services – Glasgow / Clyde Valley local authorities, 2008

	Total employed in financial and business services (000's)	% of total employment
East Dunbartonshire	4.7	16.3
East Renfrewshire	3.0	13.3
Glasgow City	120.0	27.3
Inverclyde	5.0	15.4
North Lanarkshire	21.2	15.2
Renfrewshire	17.2	19.4
South Lanarkshire	22.6	16.3
West Dunbartonshire	5.6	14.7
Scotland	505.5	18.5

Source: ABI, Oxford Economics

One of the key sources of growth over the past decade has been in the financial and business services sectors. With 120,000 jobs in 2008, Glasgow City accounts for the largest proportion of the City Region's financial and business services employment reflecting its status as a financial and high value added business services centre, and accounts for 27.3% of the Glasgow's total employment. East Renfrewshire represents the lowest proportion of the City Region's finance and business services employment, chiefly because employment here is a workplace based measure and Glasgow soaks up

most of the region's employment in these sectors with East Renfrewshire residents commuting into Glasgow taking up a proportion of these jobs. Indeed, it is likely that East Renfrewshire resident employment will comprise of a significant proportion of finance and business services jobs however data is not published for this on a residence basis.

Table 3.6: Employment growth in financial & business services by local authority, 1998-2008

	% growth in finance & business 1998-2008	% growth in total employment 1998-2008
East Dunbartonshire	-9.9	-6.2
East Renfrewshire	20.7	9.9
Glasgow City	47.3	18.9
Inverclyde	35.2	-4.8
North Lanarkshire	51.8	21.9
Renfrewshire	48.9	-2.8
South Lanarkshire	87.1	16.3
West Dunbartonshire	65.9	16.3
Glasgow Clyde Valley	48.9	14.3

Source: ABI, Oxford Economics

Only one local authority experienced a fall in employment in finance and business services over the last decade – East Dunbartonshire. Despite a 9.9% fall, this only equates to a contraction of around 500 jobs illustrating the relative under-representation of finance and business services in the area. Moreover, according to the census, 7.1% of East Dunbartonshire commute to Glasgow and as this is a workplace measure, it is more likely that its residents are filling a proportion of the additional jobs in Glasgow.

3.4 The population / employment anomaly

Looked at collectively the data on workplace and resident employment is slightly puzzling in its inconsistency. Taking Glasgow as an example resident employment has risen by approximately 36K job in the seven years from 2001 and workplace employment (people) by 18K. This suggests a fall in net commuting – either a rise in out-commuting or a fall in in-commuting to Glasgow of 17K. Similarly commuting into North Lanarkshire has risen by close to 7,000 on account of workplace jobs rising much more rapidly than resident jobs. Though these changes probably tell us important information the strong likelihood is also that they reveal problems in the underlying data. Maybe resident employment has not been as fast in Glasgow (or population is lower) or perhaps workplace jobs have been faster than recorded. This note of caution is important when considering the policy and strategic implications of economic data and the forecasts built upon them.

Table 3.7: Summary of population and employment changes by local authority, 2001-2008

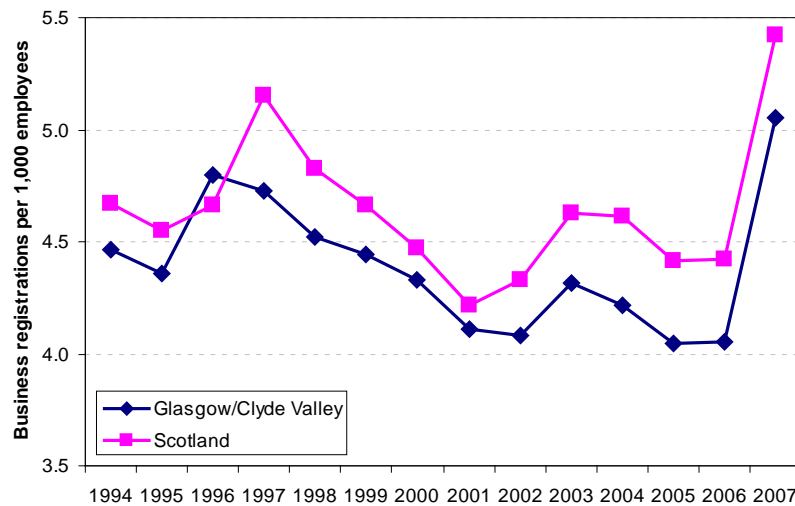
	Working age population 2001-2008	Resident employment 2001-2008	People based employment 2001-2008	Net commuting 2001-2008
East Dunbartonshire	-3402	-2956	-2871	86
East Renfrewshire	-902	-1992	1083	3075
Glasgow City	24088	36232	18606	-17626
Inverclyde	-1901	-790	-4359	-3569
North Lanarkshire	1794	5015	11858	6843
Renfrewshire	-2003	-1866	1576	3442
South Lanarkshire	4494	10426	9219	-1207
West Dunbartonshire	-502	764	5273	4509
Glasgow Clyde Valley	21666	44832	40384	-4448

Source: Census, Nomis, APS, ABI, Oxford Economics

3.5 Business formation

Aside from employment, business formation is a useful barometer of growth in any area with start ups relating to the private sector providing a sound basis for measuring private sector growth, particularly at a time when the manufacturing sector is contracting out and private services is expanding.

Figure 3.4: Total business registrations per 1,000 employees – Glasgow / Clyde Valley and Scotland, 1994-2007



Source: Nomis

Indeed the manufacturing decline of the late 1990s and up until 2001 is reflected in declining business start ups. Since 2001, the pace of business formation picked up reflecting the growth of sectors such as real estate, legal and accounting activities alongside retail and consumer led start-ups. There was a significant spike in the level of firm creation in 2007 with 2,800 new start ups during that year in Scotland with a large proportion of these start ups, 79.5%, in the finance and business services sector. This spike was mirrored in the Glasgow Clyde Valley area.

Table 3.8 shows sectoral distribution of business start ups in 2007 in each local authority. As expected, the finance and business services sector was the main source of business creation in 2007 compared with the manufacturing sector. According the table, Glasgow had the lowest rate of business creation in 2007 with 4.2 registrations per 1,000 employees. However looked at in more detail, Glasgow actually had the largest number of registrations in 2007 at 1,750 new firms – the relatively low rate of 4.2 indicates that the new firms created were small and medium sized enterprises as the additional employment in the same year was relatively low.

Table 3.8: Business registrations - Glasgow / Clyde Valley local authorities, 2007

	Total registrations per 1,000 employees	Manufacturing registrations per 1,000 manufacturing employees	Financial & business services registrations per 1,000 financial & business services employees
East Dunbartonshire	9.9	3.2	32.2
East Renfrewshire	8.9	9.7	35.1
Glasgow City	4.2	2.8	7.2
Inverclyde	5.5	4.7	14.3
North Lanarkshire	5.3	1.9	11.5
Renfrewshire	5.1	2.4	11.5
South Lanarkshire	5.7	2.8	10.4
West Dunbartonshire	4.6	1.7	13.6
Glasgow/Clyde Valley	5.1	2.7	10.0
Scotland	5.4	2.6	13.1

Source: Nomis

3.6 Average earnings

We have already discussed the various commuting patterns within the Glasgow Clyde Valley region identifying that Glasgow City soaks up a significant proportion of the working residents in surrounding areas. A useful way of measuring this, aside from census commuting proportions, is to look at the difference between resident and workplace wages.

Table 3.9: Average weekly earnings on a residence and workplace basis - Glasgow/Clyde Valley local authorities, 2009

	Average weekly wage - residence based 2009	Average weekly wage - workplace based 2009	Resident / workplace ratio
East Dunbartonshire	551.2	445.5	1.24
East Renfrewshire	540.6	387.7	1.39
Glasgow City	454.7	474.5	0.96
Inverclyde	428.8	388.5	1.10
North Lanarkshire	419.1	458.4	0.91
Renfrewshire	471.1	494.1	0.95
South Lanarkshire	457.5	424.6	1.08
West Dunbartonshire	412.6	408.2	1.01
Clyde Valley	457.3	457.8	1.00
Scotland	457.0	455.5	1.00

Source: ASHE

East Dunbartonshire and East Renfrewshire had the highest levels of residence wages in Glasgow Clyde Valley in 2009 and both were significantly higher than their average workplace wage. As identified earlier these areas have high commuting proportions to Glasgow City and this data confirms that these areas are locations of wealth where many city workers choose to live but do not work. In contrast, the area with the lowest resident wage was West Dunbartonshire and this, coupled with the fact that West Dunbartonshire has the highest rate of unemployment in the City Region indicates that this is a relatively more disadvantaged local authority.

4 Looking ahead – recovering from recession

4.1 Limping out of recession...

The recession technically ended in Quarter 4 in the UK with GDP growth of 0.3%. This fairly anaemic growth is in contrast to a much more rapid rebound in other economies, most notably the US. The recession has taken its toll on the UK and will cast a shadow over national and regional economies for the best part of a decade, possibly longer. In this chapter we look at the implications of the recession, what it means for future growth and consequently how this impacts upon Scotland and Clyde Valley in particular.

Figure 4.1: World GDP growth

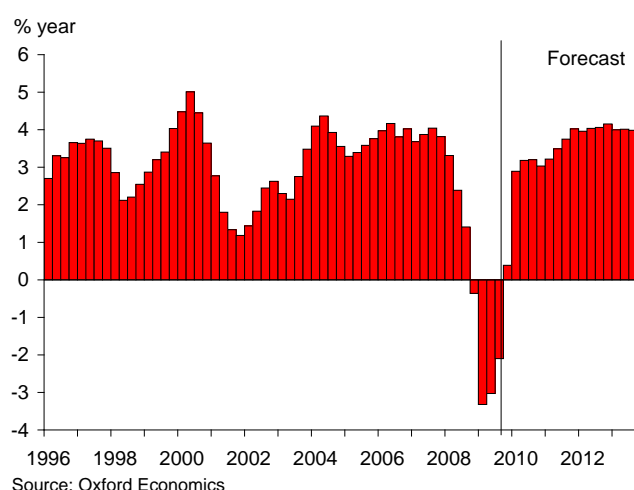


Table 4.1: World GDP growth in selected countries, 2008-2013

World GDP Growth						
% Change on previous year						
	2008	2009	2010	2011	2012	2013
US	0.4	-2.4	3.3	3.2	3.3	3.0
Japan	-1.2	-5.1	1.5	1.6	2.1	2.0
Eurozone	0.5	-4.0	0.9	1.6	2.1	2.4
UK	0.5	-4.8	1.1	2.3	3.0	3.3
Ireland	-3.0	-7.1	-0.9	2.9	3.3	3.3
Germany	1.0	-4.9	1.5	1.9	2.1	2.3
France	0.3	-2.2	1.2	1.4	1.8	2.2
Italy	-1.0	-4.9	0.8	1.4	1.8	2.2
South Korea	2.2	0.2	4.5	4.4	4.8	4.3
China	9.6	8.7	9.6	9.1	9.0	9.0
India	7.5	13.0	7.4	9.1	9.0	8.8
Other Asia	4.7	0.3	4.3	4.6	5.4	5.2
Mexico	1.4	-6.8	4.4	5.1	5.4	4.8
Other Latin America	4.7	-0.7	3.7	4.7	4.9	4.3
Eastern Europe	5.6	-6.4	2.9	4.4	6.1	6.3
World	1.7	-2.0	3.1	3.6	4.1	4.0
World (PPP)	3.0	-0.9	3.8	4.5	4.9	4.8

Source: Oxford Economics

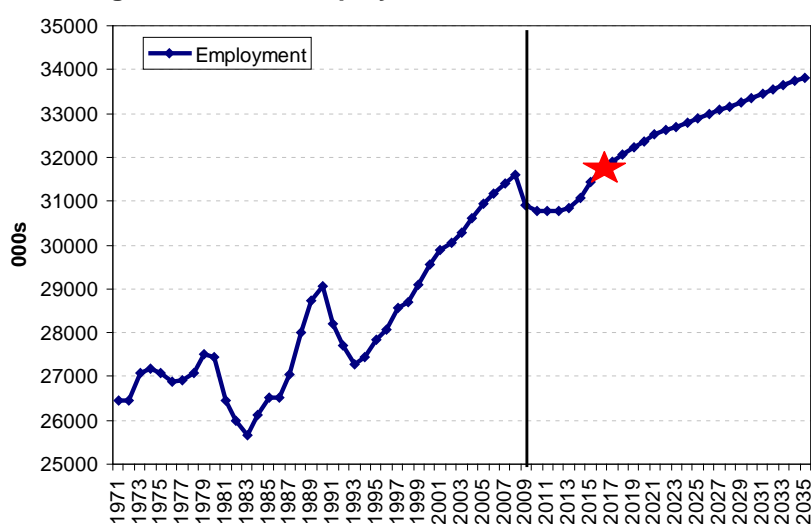
4.2 ... into uncertain times...

Though technical recovery has begun the data is far from conclusive in terms of suggesting the UK is now firmly in economic recovery mode. The labour market remains sluggish, indeed unemployment picked up in pace in January 2010 after a slowing (and fall in some areas) in late 2009, and with fears over potential tax rises and further job losses rife the level of confidence is at best muted. Much of the economic talk has been about the fear of a 'double dip' recession and whether the economy could slide back into recession in 2010 (supported by weak trade data, poor labour market information and muted retail data). This is certainly a possibility, though not the central Oxford case in which UK GDP reaches 1.2% for the year ahead.

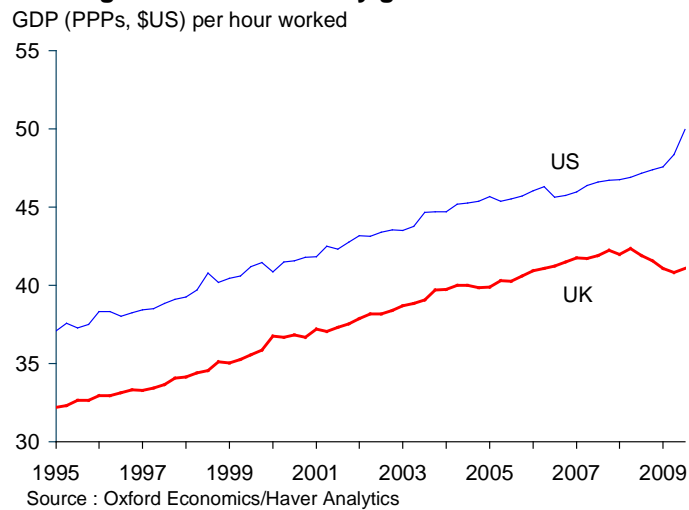
4.3 ... with labour market a concern...

The current recession has been more acute in GDP terms than originally projected and less severe in employment terms. The result of this pattern has been a sharp fall in UK productivity and consequently a build up of spare capacity in the economy (often referred to as an 'output gap'). The most likely outcome for the economy under these conditions is a very sluggish growth in the labour market as the economy 'uses up' the spare capacity and rebuilds productivity levels. As such the forecast for jobs growth in the UK is muted for the period up to 2013, after which an acceleration in net job growth begins to gather pace.

Figure 4.2: Total employment in the UK, 1971-2035

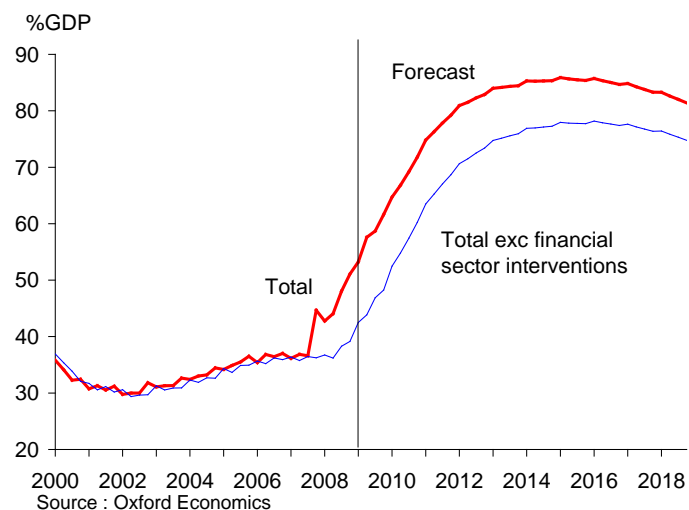


Source: ABI, Oxford Economics

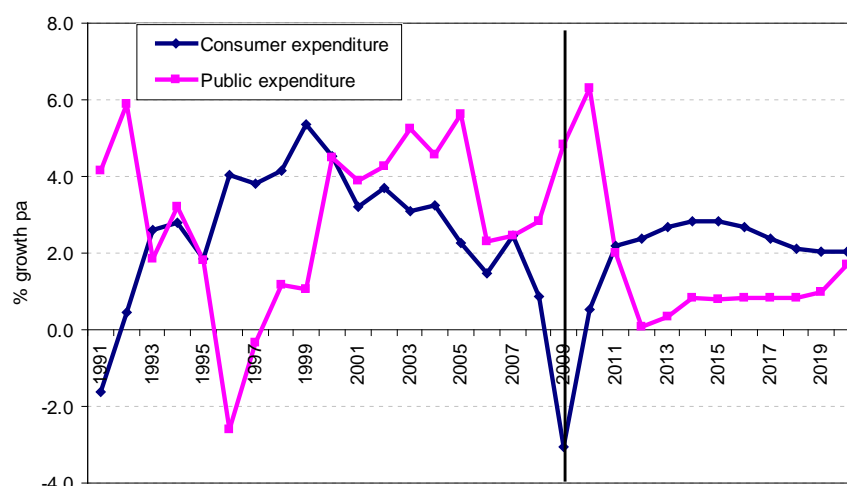
Figure 4.3: Productivity growth in UK and US

4.4 ... due to worrying public finances

The forecast for muted job growth, primarily as a result of the capacity now within the UK economy (if the data are to be believed) is further supported by the pressures facing consumers and more worryingly public finances.

Figure 4.4: UK general government net debt

With public finances in such perilous state there will undoubtedly have to be action taken to either reduce public sector expenditure or raise additional tax revenues, or more likely a combination of both. It will be post general election, and indeed possibly some time thereafter, before the balance of policy will become clear; but whatever the outcome it will spell and end to the era of rapid real price growth in public spending and may well lead to losses in public sector jobs. Add to this the pressure that reduced public spending and increased taxes will have on consumers (who could also be facing rising interest rates and commodity prices) and consumer spending can no longer be the major contributor to growth that it was in the decade past. The short / medium term recovery therefore is centred around the performance of the export sector and as such this is the structure of the Oxford base case.

Figure 4.5: % growth in public expenditure and consumer expenditure, 1991-2020

Source: Oxford Economics

4.5 Longer term recovery still service led

Though there has been much debate about ‘re-balancing’ the UK economy, in apparent response to the recession which exposed a UK vulnerability to the trends in the global finance sector, the evidence as to the likelihood of a re-balancing is mixed. Clearly the UK remains a world leader in global financial and professional services, and though the market has changed somewhat for elements of this industry it remains a crucial component of world demand and thus remains a central part of the UK’s likely sectoral future. Equally elements of production may move back ‘on-shore’ in response to rising costs, but given global wages in many manufacturing sectors the scale of this is likely to be relatively modest.

Table 4.2: Sectoral employment growth in the UK, last decade, recession and decade ahead

	1998-2008 (000s)	2008-2010 (000s)	2010-2020 (000s)
Agriculture	-72.6	-10.9	-76.7
Extraction	-10.2	-4.4	-13.8
Manufacturing	-1373.3	-366.0	-571.5
Utilities	-11.4	-5.2	-20.9
Construction	444.9	-197.9	138.8
Distribution	183.4	-157.2	391.8
Hotels	236.2	-40.9	151.1
Transport & comms	239.1	-29.6	87.4
Financial services	18.2	-54.7	64.3
Business services	1518.6	-209.7	1286.9
Public admin. & defence	123.0	0.3	-90.8
Education	572.4	76.4	-45.9
Health	742.3	173.2	84.0
Other personal services	366.7	-17.1	222.9
Total	2890.6	-833.2	1606.6

Source: ABI, Oxford Economics

As the recent data shows, despite the origins of the recession, the construction and manufacturing sectors have fared extremely badly alongside the more ‘expected’ business services losses. Though there is likely to be a rebound in both many of the sectors which have lost jobs, growth is unlikely to be on the scale of the losses, at least in the short term (indeed in manufacturing no return to job growth is

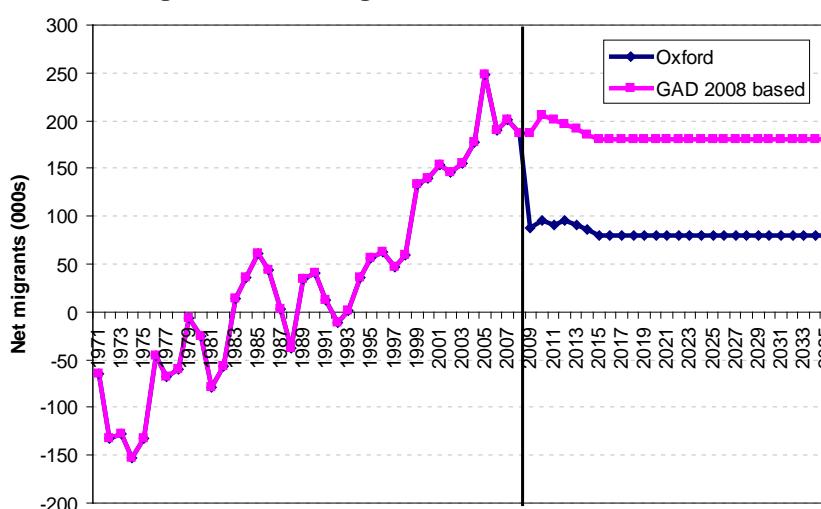
forecast, even over the medium term). The possibility that sectors such as environmental technologies, pharma, care for the elderly and tourism related sectors will generate significant jobs are numerous but largely speculative and thus not part of the Oxford central case (we explore the possibilities for re-balancing in the scenario section of this report).

4.6 And what does this say for population and housing?

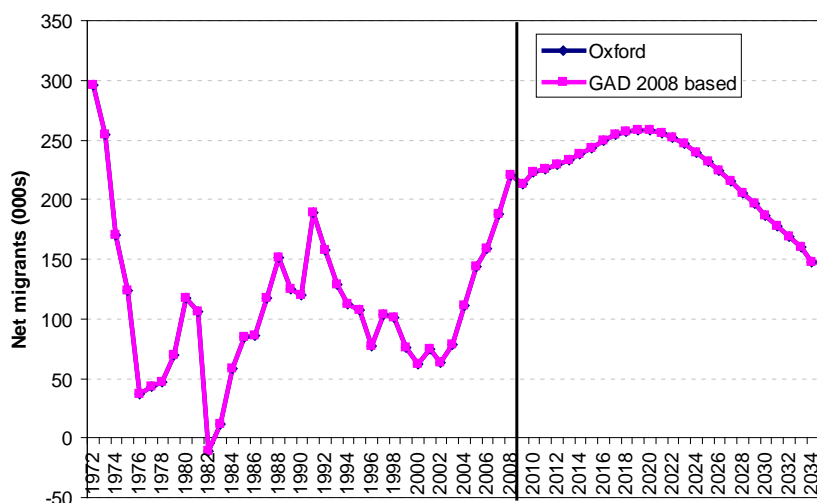
Perhaps one of the most challenging aspects of looking ahead in light of the recession and its aftermath is what this means for population and housing? Migration patterns have clearly been influenced by the macro economic performance in the UK (and indeed the regions) but equally other factors have played an important part (including border policy, benefit levels, housing availability, relayed information on the experience of existing migrants) and thus projecting migration is complex. The latest data for 2009 suggests for the UK migration is holding up compared to the Oxford forecasts, though it is too early to say if this will be confirmed over the entire year. In addition the age band patterns are far from clear with flows back in of ex-pats for whom the experience has gone sour elsewhere and a slow down in migrants leaving during retirement (as pension pots fall etc.) likely to change to age structure of net flows. The overall trend of steady in-flows of 'work ready' Eastern Europeans in net terms does appear to be waning slightly. Levels of natural increase (births minus deaths) may also change based on a range of societal and income factors – but this is expected to remain a net contributor to UK population growth over the medium term.

The level of unemployment in the economy (which Oxford predicts to remains above the lows experienced at the peak of the boom) and the state of public finances are all directly influenced by the level of migration (and most markedly working age migration) and this remains a forecast to consider carefully and critically. Natural increase levels are not independently modelled by Oxford and thus track official outlooks.

Figure 4.6: Net migration – Oxford vs. Official



Source: ONS, GAD, Oxford Economics

Figure 4.7: Natural increase – Oxford vs. Official

Source: ONS, GAD, Oxford Economics

4.7 Scottish forecasts a function of national and sectoral outlooks

The most significant factors in the Scottish outlook remain the national forecasts set out in the section above. Scotland remains a region with above average employment rates and measured productivity, but also above average unemployment rates and public sector dependence. Looking over time it is clear how slowly patterns change in relative terms, further emphasizing how the macro outlook is the most important determinant of Scottish economic fortunes.

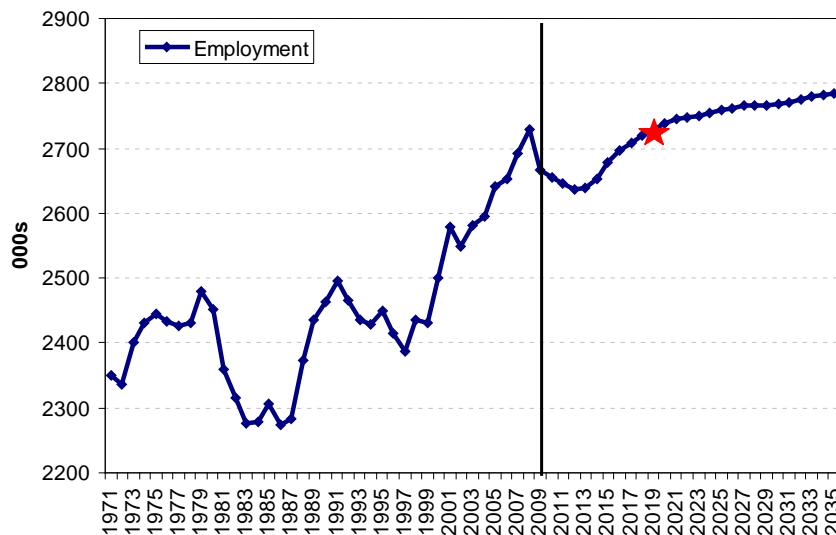
Over the last decade relative employment rates have improved (and unsurprisingly) unemployment has done the same. This has resulted in improved spending levels despite falling relative wages.

Table 4.3: Relative performance of Scotland by key indicators (UK=100)

	1998	2008
Resident employment rate	96.6	100.9
GVA per head	95.5	97.3
GVA per employed person	97.8	94.9
% public sector employment	109.6	112.7
Average wages	95.7	93.6
Self employment rate (% ET)	81.8	84.6
Self employment rate (% WPOP)	78.9	85.9
Unemployment rate	119.8	100.4
House price	80.3	76.5
Consumer expenditure per head	95.2	100.3
Disposable income per head	93.0	95.9

Source: APS, Regional Accounts, National Accounts, ABI, Nomis, DCLG, Oxford Economics

As a result of the UK outlooks (and the range of Scottish endowments and past performance) the following Scottish outlook is the Oxford Spring 2010 central case:

Figure 4.8: Total employment in Scotland, 1971-2035

Source: Oxford Economics

The outlook is for the sharp loss of jobs to end in 2010 but the ongoing drag of contracting public sector employment, ongoing industrial losses and sluggish private services recovery (indeed further rationalisation in the sector is likely) mean employment is not forecast to return to growth until 2013 and to its peak until 2019. The recovery acceleration is then relatively rapid, though not as marked as previous periods of Scottish job growth as public finance and consumer finance pressures continue to act as a brake on overall job creation. The result of this modest outlook is a decade in which for Scotland just recovers to its peak employment levels (slightly longer than recovery from the 80s or 90s recessions).

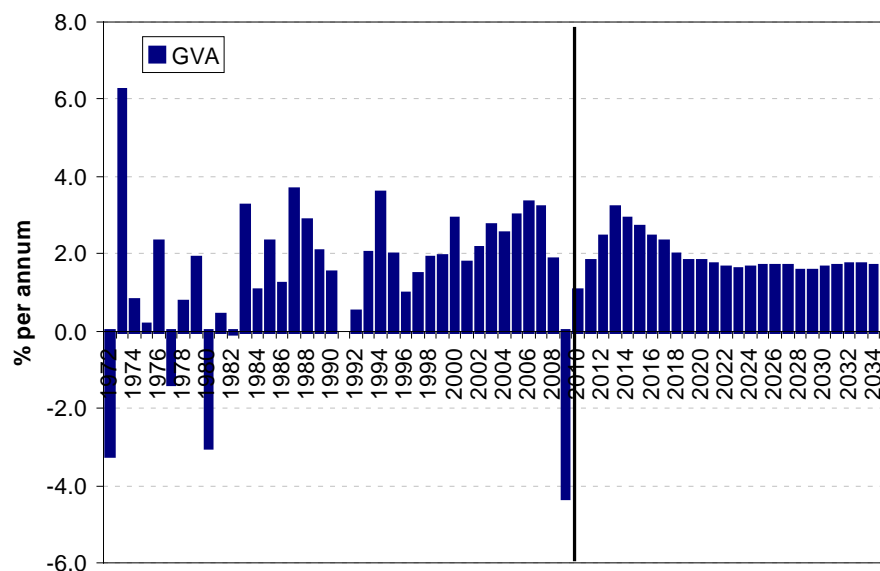
Sectorally the recession has taken a toll, as in the UK, on industry, construction and retailing. Relative to the UK rate of contraction, business services has fallen more modestly though finance has experienced a more severe fall. Public services continue to record employee growth during the recession and this is likely to continue with cuts coming in future spending rounds. As such the forecast is for falls in public admin and education into the medium term, indeed even health loses jobs slightly over the 2010-2020 period reinforcing the medium term view that the recession may have passed in the private sector but lies ahead in the public. Sectors such as business and the supporting service and construction sectors grow, albeit at a more modest rate than the pre recession decade. In industry losses will be slower than the previous decade largely as a result of the smaller size of the sector.

Table 4.4: Sectoral employment change in Scotland

	1998-2008 (000s)	2008-2010 (000s)	2010-2020 (000s)
Agriculture	-3.9	-4.0	-9.7
Extraction	3.3	-2.2	-5.0
Manufacturing	-115.3	-23.2	-44.3
Utilities	-2.0	-0.9	-3.0
Construction	27.1	-22.7	12.5
Distribution	24.9	-13.8	29.4
Hotels	16.8	-3.9	10.7
Transport & comms	17.1	-4.1	5.6
Financial services	11.0	-4.6	4.5
Business services	134.0	-8.0	95.5
Public admin. & defence	-8.7	-0.6	-12.0
Education	54.7	4.2	-10.5
Health	121.6	10.7	-3.1
Other personal services	30.7	-0.9	12.4
Total	293.7	-72.8	82.7

Source: ABI, Oxford Economics

This outlook is reflected in GVA forecasts, which again records private services as the key sources of growth in the region. An important drag on overall Scottish GVA in the Oxford models is the continued loss of GVA in the extraction industry – the onshore element of North Sea Oil. In the short / medium term public administration cuts will act as a drag, and given its relatively larger size, this holds back Scottish GVA growth more than in other regions where the sector is, in relative terms, smaller. Scottish medium term growth is estimated at 2.3% per annum, though this does include the recession recovery phase (see below for longer term outlooks)

Figure 4.9: GVA growth in Scotland, 1971-2035

Source: Regional Accounts, Oxford Economics

Table 4.5: Average annual GVA growth in Scotland

	1998-2008 (% pa)	2008-2010 (% pa)	2010-2020 (% pa)
Agriculture	3.2	-4.7	0.6
Extraction	-1.8	-7.2	-0.9
Manufacturing	0.3	-3.6	1.7
Utilities	0.9	-4.8	1.6
Construction	2.6	-6.0	2.4
Distribution	2.9	-0.7	2.8
Hotels	0.9	-2.9	1.9
Transport & comms	4.2	-2.6	2.7
Financial services	6.9	-1.0	3.9
Business services	6.4	0.2	4.3
Public admin. & defence	0.5	-1.0	-0.3
Education	-0.3	0.3	0.2
Health	3.8	1.9	1.4
Other personal services	0.8	-3.4	0.9
Total	2.5	-1.7	2.3

Source: Regional Accounts, Oxford Economics

In the longer term Scotland is forecast to experience net job growth of close to 7,000 per annum, more modest than in the recent past, the corresponding figures for the 90s and 00s were -200 jobs per annum and 7,500 jobs per annum respectively (note that it 2009 were excluded from the 00s estimate there would be 10,600 net additional jobs per annum). This more sluggish rate of jobs growth is consistent with the GVA outlooks where longer term avg growth is 1.8% per annum, below the trend growth of the previous decades with average annual growth rates of 2% and 1.9% respectively (similar to employment in 2009 were excluded from the 00s then average GVA growth would be 2.6% per annum). By and large the private services sector enjoys GVA growth of above 2%, with more sluggish GVA growth in industrial, production and public services sectors. This is partly due to continued productivity gains in production sectors, but also due to the more sluggish employment projected

Table 4.6: Average annual change in employment, GVA and productivity in Scotland, 2014-2035

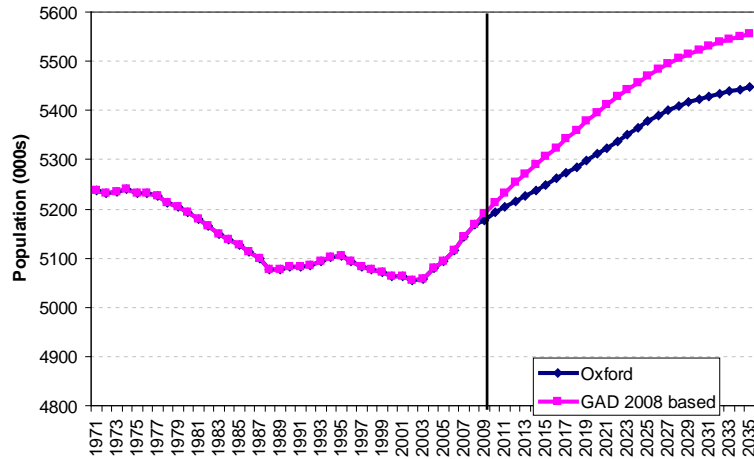
	Employment 2014-2035 (000s pa)	Employment % pa 2014- 2035	GVA % pa 2014-2035	Productivity % pa 2014- 2035
Agriculture	-0.8	-1.6	-0.2	1.5
Extraction	-0.5	-2.4	-2.3	0.1
Manufacturing	-3.7	-2.3	1.0	3.5
Utilities	-0.3	-2.2	0.4	2.6
Construction	0.7	0.3	1.9	1.6
Distribution	1.7	0.4	2.0	1.6
Hotels	0.4	0.2	1.5	1.4
Transport & comms	0.3	0.2	2.1	1.9
Financial services	0.3	0.3	2.9	2.6
Business services	6.0	1.1	3.2	2.0
Public admin. & defence	-0.2	-0.1	0.1	0.3
Education	-0.1	0.0	0.1	0.2
Health	2.7	0.7	1.2	0.6
Other personal services	0.3	0.1	0.2	0.1
Total	6.7	0.2	1.8	1.6

Source: Oxford Economics

Overall population estimates are more modest in the Oxford baseline, compared to the 2008 based GAD projections for the region. This is largely due to the more pessimistic view of migration, particularly in the shorter term, built into the Oxford model. The migration forecast is lower as a result of the weaker economic conditions and thus more limited employment opportunities to attract migrants. The majority of the 106,700 population difference in 2035 is accounted for by cumulatively lower migration assumptions across the forecast period. Provisional estimates for the UK in 2009 do

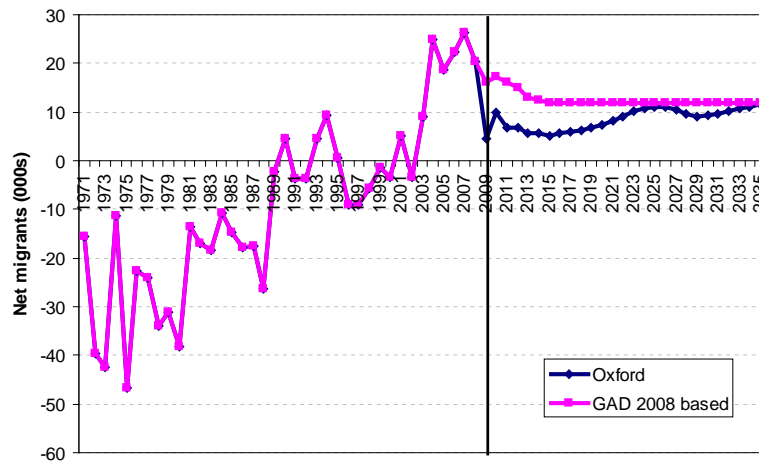
appear to suggest the Oxford estimates may be too low for that year, and this could suggest estimates will be too low over the medium term (a higher migration scenario is run in the following chapter).

Figure 4.10: Total population, Scotland – Oxford vs. Official



Source: GAD, Oxford Economics

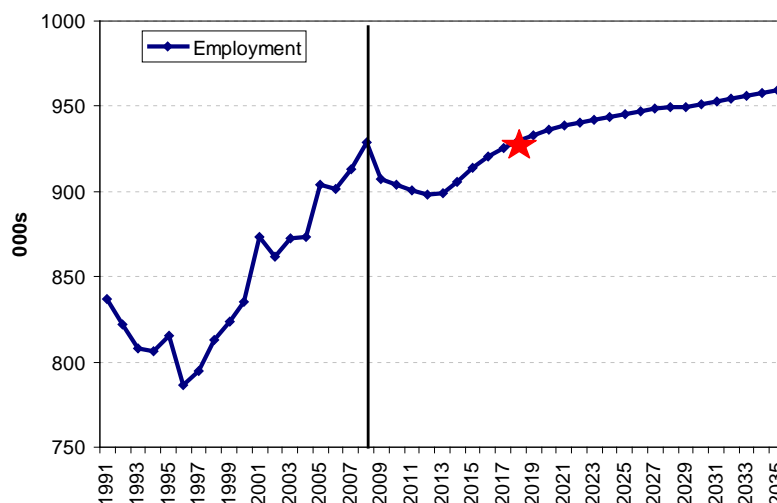
Figure 4.11: Net migration, Scotland – Oxford vs. Official



Source: GAD, Oxford Economics

4.8 And Clyde Valley impacted accordingly...

The forecasts in Clyde Valley largely mirror the ‘shape’ of the wider national and Scottish forecasts with a sharp contraction followed by a number of years of modest decline as public sector cuts begin to bite. The recovery is steady, rather than spectacular in jobs (recall the issue of ‘spare capacity’ discussed in the UK section) and medium term outlooks offer only modest employment growth prospects.

Figure 4.12: Total employment in Glasgow Clyde Valley, 1971-2035

Source: ABI, Oxford Economics

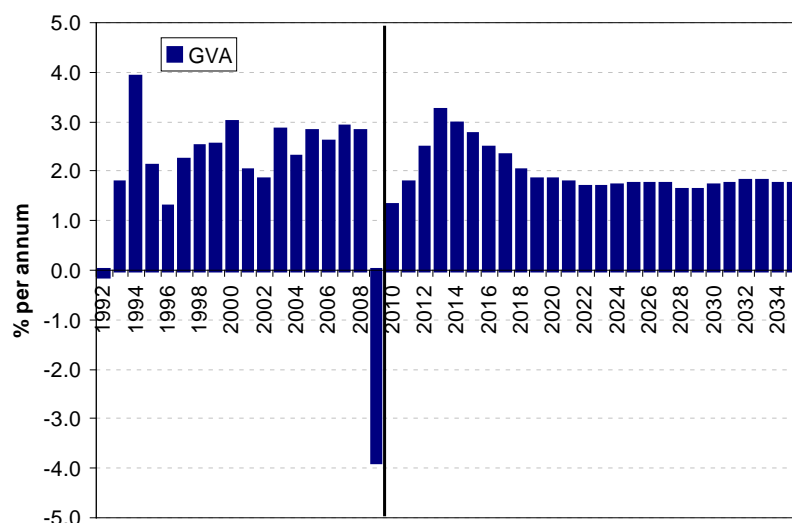
Sectorally a similar story to the Scottish picture is evident in the Clyde Valley region, with the post recession decade only just regaining the recent losses and experiencing about a third of the rate compared to the pre recession decade. Private services offer the main source of employment growth and the key difference to pre recession is the much more challenging outlook for employment in public services.

Table 4.7: Sectoral employment change in Glasgow Clyde Valley

	1998-2008 (000s)	2008-2010 (000s)	2010-2020 (000s)
Agriculture	1.3	-0.3	-0.7
Extraction	-0.1	-0.1	-0.3
Manufacturing	-39.5	-7.2	-14.3
Utilities	-1.1	-0.5	-1.2
Construction	2.7	-7.7	4.6
Distribution	9.8	-4.3	10.3
Hotels	7.6	-1.2	2.7
Transport & comms	4.2	-2.0	0.8
Financial services	8.3	-1.7	2.4
Business services	57.1	-3.2	38.8
Public admin. & defence	1.7	-0.5	-5.4
Education	15.5	0.9	-4.2
Health	46.6	3.0	-4.1
Other personal services	7.1	-0.7	3.1
Total	115.8	-24.9	32.5

Source: Oxford Economics

GVA data is subject to significant problems of measurement at a local level and thus needs to be treated with caution, but in broad terms the sharp 2009 recession is followed by modest growth (which precedes the turn around in employment growth) before a stronger pick up in recovery and settling down at just under 2% per annum in the longer term.

Figure 4.13: GVA growth in Glasgow Clyde Valley, 1971-2035

Source: Regional Accounts, Oxford Economics

Table 4.8: Average annual GVA growth in Glasgow Clyde Valley

	1998-2008 (% pa)	2008-2010 (% pa)	2010-2020 (% pa)
Agriculture	6.1	-4.6	0.7
Extraction	-4.0	-9.1	-2.9
Manufacturing	-0.1	-2.9	1.6
Utilities	0.3	-5.1	1.5
Construction	1.4	-5.8	2.4
Distribution	2.9	-0.2	2.8
Hotels	1.2	-2.6	1.8
Transport & comms	3.6	-2.6	2.5
Financial services	7.7	-0.6	4.1
Business services	6.8	0.6	4.4
Public admin. & defence	1.4	-1.2	-0.5
Education	-0.8	-0.1	0.0
Health	4.1	1.6	1.2
Other personal services	-0.1	-3.5	0.7
Total	2.6	-1.3	2.4

Source: Oxford Economics

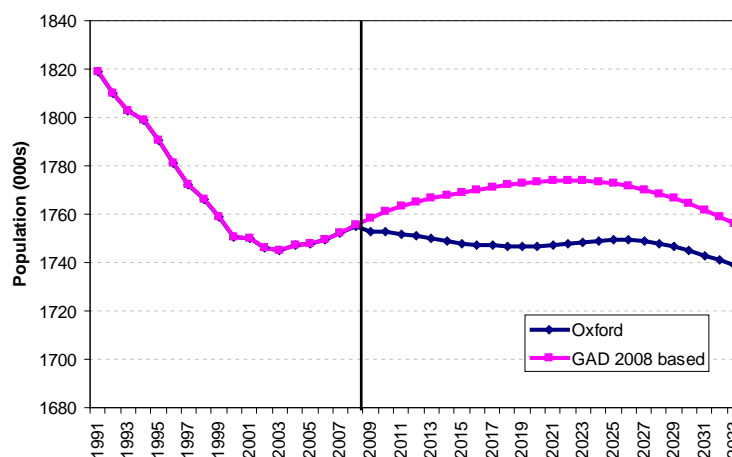
Longer term GVA growth at 1.9% is very slightly higher than the Scottish average reflecting the concentration of exporting service sector businesses. Nevertheless this rate is lower than historic averages in the region and similarly employment growth of 2,700 per annum net is well below the averages of the decade past. This reflects a UK view that trend GDP growth will be lower, at around 2.25% compared to pre recession view of 2.5%. London attracts a significant proportion of the high end export jobs which drive this level of growth and as a result other regions such as Scotland and consequently Clyde Valley fall down to closer to a 2% annual average rate of growth.

Table 4.9: Average annual change in jobs, GVA and productivity in Glasgow Clyde Valley, 2014-2035

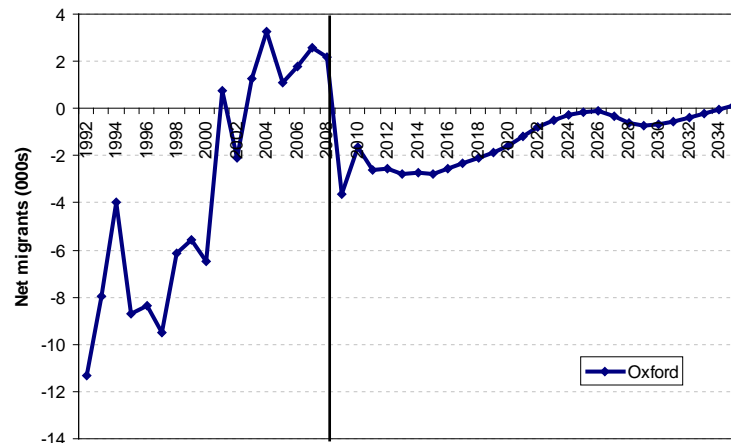
	Employment 2014-2035 (000s pa)	Employment % pa 2014- 2035	GVA % pa 2014-2035	Productivity % pa 2014- 2035
Agriculture	-0.1	-1.5	-0.1	1.5
Extraction	0.0	-3.4	-3.3	0.1
Manufacturing	-1.2	-2.3	0.9	3.3
Utilities	-0.1	-2.3	0.3	2.7
Construction	0.3	0.4	2.0	1.6
Distribution	0.7	0.4	2.1	1.6
Hotels	0.1	0.1	1.5	1.4
Transport & comms	0.0	0.0	1.9	1.9
Financial services	0.2	0.5	3.1	2.6
Business services	2.5	1.2	3.2	2.0
Public admin. & defence	-0.1	-0.3	0.0	0.2
Education	-0.1	-0.2	0.0	0.1
Health	0.6	0.5	1.0	0.6
Other personal services	0.0	0.1	0.1	0.1
Total	2.7	0.3	1.9	1.6

Source: Oxford Economics

Population forecasts for Clyde Valley from the Oxford base case suggest a return to modest migration falls in the near term, increasing in the longer term as natural increase becomes a drag on population (due to demographic change). This estimate is below official projections which suggest sustained growth in population out to beyond 2020 before a reversal into decline. In practice the differences in numbers terms are modest, -26,800 people in 2020 (-1.5%) and -17,000 people in 2035 (-1%) but they are very different in terms of overall direction. The outlook is more modest in Oxford for the reasons discussed above, namely a weaker economy adversely impacting on migration patters. This may prove too pessimistic an outlook (though it remains well within historic trends) and thus an upper migration scenario is run in the following chapter.

Figure 4.14: Total population, Glasgow Clyde Valley – Oxford vs. Official

Source: GAD, Oxford Economics

Figure 4.14: Net migration, Glasgow Clyde Valley – Oxford

Source: GAD, Oxford Economics

Looking within Clyde Valley the forecasts for the individual LA's are set out in the tables below. By way of summary table 4.11 recalls the relative positions of the areas as a context upon which the subsequent forecasts build.

Table 4.11: Summary of key indicators by LA in latest year of data

	Unemployment rate 2009 (%)	Resident employment rate 2008 (%)	Employment change 1998-2008 (000s)	Relative workplace wage 2009 (GCV=100)	Relative resident wage 2009 (GCV=100)	Relative house price 2008 (GCV=100)
East Dunbartonshire	2.7	76.5	-1.9	95.2	118.1	109.9
East Renfrewshire	2.4	75.2	2.0	83.1	119.6	109.9
Glasgow City	5.5	65.0	70.0	102.8	97.6	116.8
Inverclyde	5.3	68.9	-1.6	84.9	95.1	95.4
North Lanarkshire	5.0	70.4	25.0	101.9	92.7	77.3
Renfrewshire	4.2	73.8	-2.6	109.5	105.9	96.6
South Lanarkshire	4.2	76.0	19.5	93.1	100.6	91.8
West Dunbartonshire	5.7	70.9	5.3	90.2	91.4	91.0
Glasgow Clyde Valley	4.8	70.3	115.8	100.0	100.0	100.0

Source: Nomis, APS, ABI, Oxford Economics, ASHE, DCLG

Note: Average wages and house prices estimated as weighted averages of available data

Over the decade from 2010 the Clyde valley area is projected to lose around 600 people per annum and enjoy job growth of just over 3,200 per annum. In the longer term these figures fall to -800 and 1,500 per annum respectively. This pattern helps to redress the fall in employment rate which occurs as a result of the recession. GVA growth averages 2.4% during what might be loosely termed the recovery decade, very slightly above the corresponding figure for Scotland.

Table 4.12: Summary of jobs, people and GVA change, 2010-2020

	Employment 2010-2020 (jobs per annum)	Population 2010-2020 (people per annum)
East Dunbartonshire	-40	-390
East Renfrewshire	20	-30
Glasgow City	2150	660
Inverclyde	40	-420
North Lanarkshire	280	70
Renfrewshire	260	-500
South Lanarkshire	570	470
West Dunbartonshire	20	-310
Glasgow Clyde Valley	3300	-440

Source: Oxford Economics

	Employment 2010-2020 (% per annum)	Population 2010-2020 (% per annum)	GVA 2010-2020 (% per annum)
East Dunbartonshire	-0.1	-0.3	1.8
East Renfrewshire	0.1	0.0	1.8
Glasgow City	0.5	0.1	2.5
Inverclyde	0.1	-0.5	2.1
North Lanarkshire	0.2	0.0	2.2
Renfrewshire	0.3	-0.3	2.3
South Lanarkshire	0.4	0.2	2.4
West Dunbartonshire	0.0	-0.4	1.9
Glasgow Clyde Valley	0.4	0.0	2.4

Source: Oxford Economics

Table 4.13: Summary of jobs, people and GVA change, 2020-2035

	Employment 2020-2035 (jobs per annum)	Population 2020-2035 (people per annum)
East Dunbartonshire	-80	-320
East Renfrewshire	-20	-20
Glasgow City	1350	170
Inverclyde	-20	-350
North Lanarkshire	40	110
Renfrewshire	40	-510
South Lanarkshire	230	380
West Dunbartonshire	0	-270
Glasgow Clyde Valley	1540	-810

Source: Oxford Economics

	Employment 2020-2035 (% per annum)	Population 2020-2035 (% per annum)	GVA 2020-2035 (% per annum)
East Dunbartonshire	-0.2	-0.3	1.3
East Renfrewshire	0.0	0.0	1.3
Glasgow City	0.4	0.0	2.0
Inverclyde	0.1	-0.5	1.6
North Lanarkshire	0.1	0.0	1.7
Renfrewshire	0.2	-0.3	1.8
South Lanarkshire	0.3	0.1	1.9
West Dunbartonshire	0.1	-0.3	1.5
Glasgow Clyde Valley	0.3	0.0	1.9

Source: Oxford Economics

4.9 Risks to the forecasts

As always the forecasts are subject to a range of uncertainties, in fact these have increased since the recessions – which has highlighted how vulnerable certain sectors can be to changing spending patterns and attitudes internationally and domestically. There are a range of, largely macro scenarios that impinge on the outlooks which are summarised below:

Upside risks:

- **Data error:** There is a distinct possibility that the GDP data is overstating the scale of recession in the UK – and thus explaining the conundrum with the labour market information. In such a scenario job growth would be more positive going forward due to the absence of a significant output gap
- **World demand:** this could spike more than currently projected and with a favourable exchange rate (ironically due to views about the state of the UK economy) the UK could benefit accordingly – especially in the advanced service sectors
- **On-shoring:** Rising commodity prices and risks over investment security could lead to greater on-shoring of production and service activities – particularly where the consumption is domestic. The downsides of higher energy costs may offset those benefits but it is an upside risk
- **Private sector boost:** Though the expectation is that the private sector will contract as a result of public expenditure cuts via supply chain and spending effects, the possibility for greater outsourcing and or privatisation provides a possibility for private sector growth above the baseline
- **Environmental agenda:** Though some cognisance of this sector is made in the baseline forecasts the possibility of a rapid expansion in the sector, both in production, construction and servicing / logistics is a distinct possibility depending on attitudes, taxation and economic policy / investment strategy

Downside risks:

- **Weakening macro conditions:** though rising interest rates and or spiralling inflation are not considered likely they remain possibilities that could set back recovery. In particular lending institutions may foreclose on more assets than they are currently doing if interest rates begin to rise and imported inflation could become a driving factor towards above expectation price levels
- **Commodity prices:** An often overlooked factor in causing the recession oil prices in particular are rising at present and a spike to previous levels could well knock back recovery (indeed above \$100 per barrel would be sufficient to adversely impact UK recovery in the Oxford models). With rising costs of imports due to the exchange rate the risks on rising commodity prices are exacerbated.
- **Inappropriate PE cuts:** Though the cutting back of PE represents an opportunity in some regards it carries with it severe risks for the economy and the recovery depending on the nature speed and sustainability of the cuts made.
- **Further bank tightening:** The UK banking system, indeed the global system remains fragile and there is a possibility that further lending restrictions and, worse still, further banking failures could yet transpire – knocking back economic recovery

5 Alternate futures for Glasgow Clyde Valley

5.1 Could outlooks be different?

Given the economic uncertainties at present, not least with respect to migration sensitivity in more challenging economic times, it is important to consider alternate outcomes. This section looks at three alternative alternate outlooks for the Clyde Valley economy over the medium – long term.

5.2 Scenarios- inputs

We consider three possible alternate outcomes in this section and model two of them (including two variations of the migration scenario), they are as follows:

- 1) A re-balanced economy
- 2) Alternate house price assumptions
- 3) Alternate migration outcomes

Re-balanced economy

In the previous Clyde Valley work (The Economic Case for the Sustained Growth Scenario in the Glasgow/Clyde Valley Area) the alternate sectoral outlooks were viewed in the light of a faster population scenario and the possible jobs that might sit alongside such a higher population outturn. In this analysis the starting point is what alternative sectoral outlooks are plausible for the UK and consequently Scotland and thus Clyde Valley. In this scenario there is little in the way of policy influence to attract disproportionate shares of the alternate growth sectors to any given location – rather past performance in these sectors will generate future growth. So for example faster pharmaceutical growth will bring jobs to areas with pharmaceutical experience and track record. Though clearly areas, including Clyde Valley, would have aspiration to develop new specialisms it is a useful first estimate.

The sectoral composition of the scenario is based on the following key elements:

- Job growth in high tech manufacturing sectors (bio / electronics / chemicals).
- Agricultural employment stabilising.
- Recycling, waste and environmental sector expanding more rapidly.
- Extraction and utilities stabilising.
- Stronger tourism growth.
- Growth in leisure, film and cultural sectors.
- Modestly less growth in financial and professional services – reflecting transferring of skills to other sectors.

The UK jobs impact is as follows as follows:

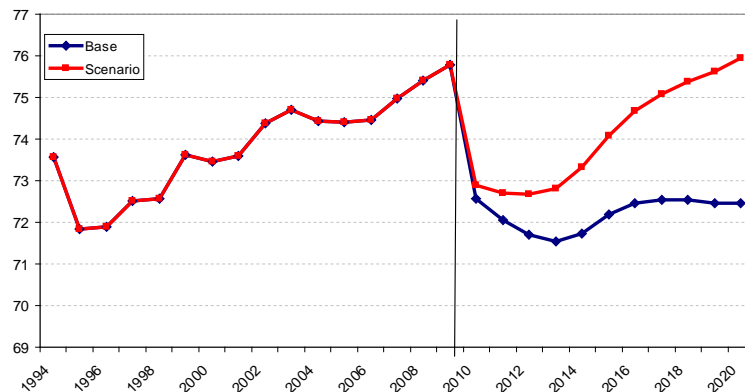
Table 5.1: Scenario sectoral employment, UK

	Base	Scenario
Agriculture	-77	0
Extraction	-14	0
Manufacturing	-579	12
Utilities	-21	3
Construction	290	313
Distribution	389	442
Hotels	140	478
Transport & comms	85	85
Financial services	64	64
Business services	1218	1089
Public admin	-91	-91
Education	-47	33
Health	82	82
Other personal service	120	460
Total	1560	2969

Source: Oxford Economics

This outlook appears significantly different to the baseline, but in reality it merely returns employment rates to previous peaks.

Figure 5.1: UK employment rate



Source: Oxford Economics

This scenario is akin to a 'rebalancing of the UK' away from a purely financial and professional services led growth trajectory.

Alternative house price forecast

House price levels are a key factor in economic forecasts – not least due to their impact upon migration, but also in terms of the impact on spending levels and upon housing occupancy rates. Traditional forecasting methods have assumed a continued steady decline in occupancy rates as the incidence of single living increases (with aging population, higher divorce rates etc.) but recent events have given cause to pause over this assumption. Increased migration flows have already arrested the steady downward trend in many areas and the cost pressures and risks with purchasing housing has also had a marked impact on attitudes and could push up occupancy rates and hence influence housing demand. It is unclear whether either of these factors will have a temporary or permanent impact on the economy.

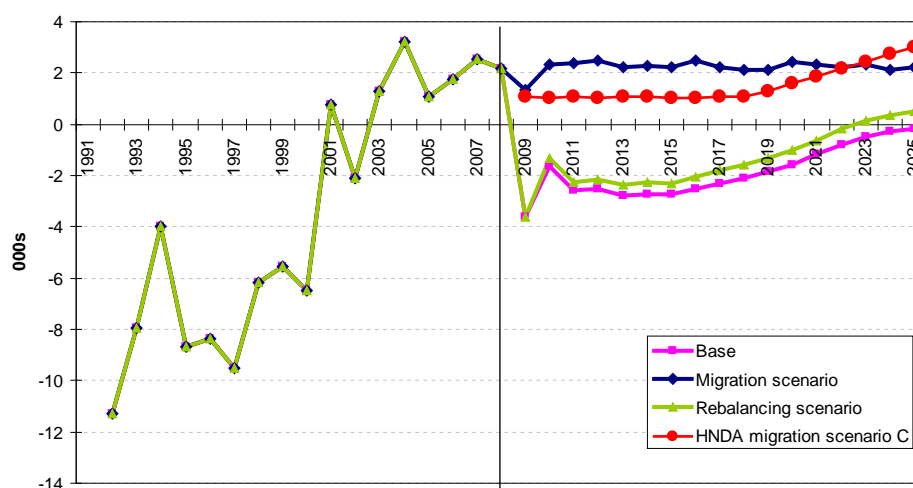
Looking at a housing scenario can be problematic, as often observed prices are merely an output of the wider economic conditions, and thus is not an 'input'. Equally a scenario with adjusted house prices may be better specified by an alternate migration scenario (considered below). As such this scenario has not been explicitly modelled. At present the Scottish house price differential with the UK remains largely in place – there has been no consistent sign of any erosion of the price differential which helps support housing demand in Scotland. Indeed if anything prices drifted further from the UK average during the recession before sharp falls elsewhere have begun to return the differential to longer term 'norms'.

The economic conditions may respond to the rising population resulting from a house price effect (which in turn is likely to have resulted from an increased housing supply). It is important to bear in mind the risks associated with this type of scenario – this assumes that additional people will deliver additional economic growth – this is far from certain. The possibility of higher unemployment, or vacant property (and hence collapsing prices) cannot be discounted. Baseline forecasts set of what the 'market' demand from property and the equilibrium price at any point in time is – thus caution needs to be applied when using 'supply led' outputs such as this type of scenario would produce if modelled

Alternative migration outcomes

Migration, as discussed previously, is highly sensitive to economic outcomes and given recent published UK data could well differ markedly from the Oxford baselines (or official projections for that matter). In this scenario a higher net migration is assumed than in the Oxford base case. Additionally the HNDA migration scenario C (Review of Recent Migration and Proposed Migration Assumptions HNDA Projection, GCVSDPA) is also modelled to allow read across to other published material. It is worth bearing in mind that the base forecast for migration remains above the levels experienced in history under more adverse economic conditions. Clearly the possibility for migration flows akin to the 1980s cannot be discounted on the downside (though attractiveness of urban living and the desirability of urban locations to investors and business in general makes this unlikely).

Figure 5.2: Migration – alternative scenarios, 1992-2035



Source: Oxford Economics

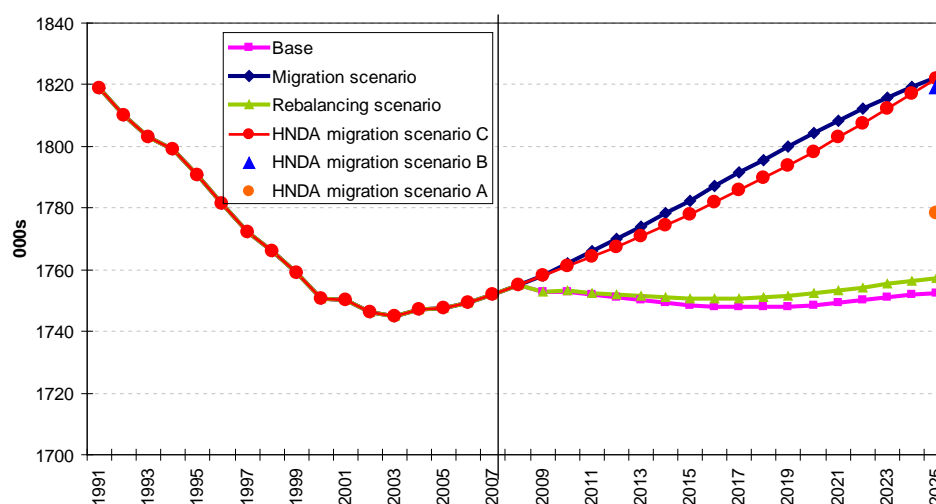
To complement the additional population additional employment is built in to support the expansion and broadly maintain employment rate levels. This needs to be treated with caution as discussed under the housing scenario. Population led growth cannot be guaranteed, particularly in more challenging economic times. It relies on the attraction of additional export led employment, which may

or may not be attracted by new housing build depending on market demand factors, price, quality of infrastructure, available skills etc. The role of housing as a leader of economic development or a follower of economic activity remains a subject of much debate.

5.3 Scenarios – outputs

In population terms the rebalancing scenario makes only a modest addition in the short term as existing labour takes up the employment opportunities and thus only limited in-migration is attracted. In the longer term population growth diverges slightly more as additional migrants are required to fill the extra jobs as local supply is exhausted. This scenario pre recession would have resulted in a greater migration response given labour capacity constraints but with such a wide reaching loss of jobs sectorally, existing capacity is much larger than would previously have been the case. Migrants make up approximately 8% of new jobs in the short term, rising to close to 15% by 2035. In the migration scenario, as would be expected, the population impact is more significant, taking population past 1.8 million by 2020 (a figure last reached in 1993), well above even the 2008 based GAD projections. The HNSA scenarios lie between the base / rebalancing scenarios and the high migration one. The HNSA scenario C is almost identical to the Oxford migration scenario in overall scale; however it differs in the composition of the population change with a greater proportion of growth coming from natural increase than in the Oxford case (Table 5.2)

Figure 5.3: Comparison of scenario results - population in Glasgow Clyde Valley



Source: Oxford Economics, GCVSDPA

Table 5.2: Comparison of scenario results – natural increase and migration, 2008-2033

Average per annum 2008-2033	Base	Rebalancing scenario	Migration scenario	HNSA scenario C	Official projects
Migration	-1.28	-0.73	2.14	1.99	-0.97
Natural increase	1.02	1.02	1.02	2.23	1.00

Source: Oxford Economics, GCVSDPA, GAD

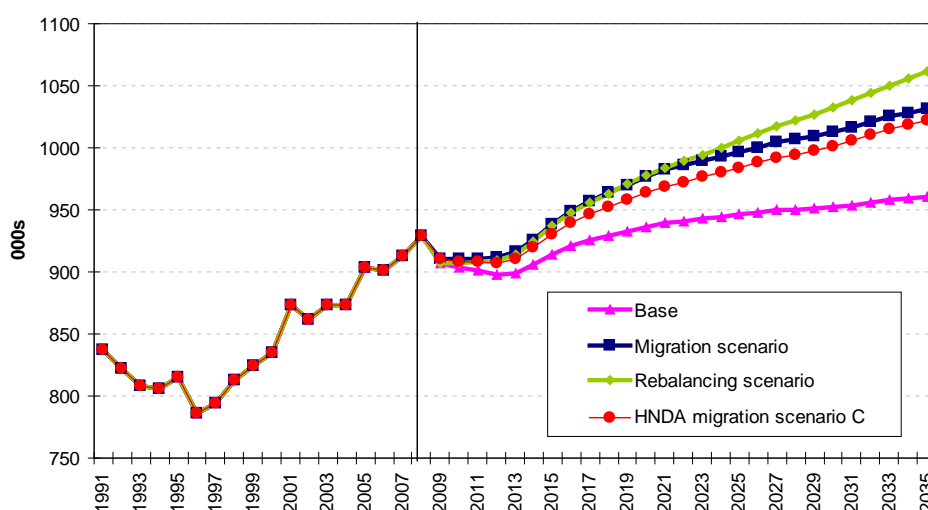
Note: Migration and natural increase official projections are only available for the period 2008-2033 collectively

In labour market terms the results are rather more similar, with both scenarios taking job levels past the 1 million mark before 2030. The recession still stalls job growth, though private sector growth is sufficient to offset public sector losses enabling employment to avoid further contraction from its

current level. From 2014 the scenarios begin to diverge more markedly from the base line with over 40,000 additional jobs by 2020 under both scenarios.

As the re-balanced scenario does not attract significant additional migrants, this has the impact of raising employment rates in the Clyde Valley region, whereas in the migration scenario they remain at an identical rate to the baseline (as this is the way in which the scenario is parameterised) of just under 70% in the long term. In the re-balanced scenario the rate will be approximately 3.5% higher by 2020. In the HNDA scenario C outturn employment is modestly below the migration scenario due to the smaller working age population (recall a larger proportion of population growth comes from natural increase in this scenario compared to the Oxford upper population scenario).

Figure 5.4: Comparison of scenario results - employment in Glasgow Clyde Valley



By way of additional summary, the following differences in 2025 result from running the scenarios. The re-balancing scenario produces a faster GVA outturn of close to 2.7% compared to 2.5% in the migration scenario and 2.2% in the base.

Table 5.3: Summary of scenario outputs, 2025

	Base	Rebalancing scenario	Migration scenario	HNDA migration scenario C
Population (000's)	1753	1757	1822	1822
Total employment (000's)	946	1006	997	984
GVA (£m2005)	44048	48203	46789	46082
% per annum (10-25)	Base	Rebalancing scenario	Migration scenario	HNDA migration scenario C
Population	0.0	0.0	0.2	0.2
Total employment	0.3	0.7	0.6	0.5
GVA	2.2	2.7	2.5	2.4

Source: Oxford Economics

Sectorally the migration and the HNDA scenario have continued concentration of additional 'export orientated' employment in the business services sectors, with associated indirect and supply chain employment following this pattern (recall the reasons of population structure which result in lower jobs in the HNDA scenario vis-à-vis the migration one). In contrast the re-balancing scenario moves

employment away from business services and into other potential export markets such as tourism, high tech manufacturing and leisure. The relationship with downstream consumer activities is slightly different under this scenario as the UK structure changes - as such the additional jobs in retailing and construction are more modest. There may be some risks inherent in this structural shift and additional construction employment may be required for example to create sites appropriate to the new employment.

Table 5.4: Additional jobs by 2025

(000's)	Rebalancing scenario	Migration scenario	HNDA migration scenario C
Agriculture	1.3	0.0	0.0
Extraction	0.3	0.0	0.0
Manufacturing	23.4	7.6	5.6
Utilities	1.8	0.0	0.0
Construction	1.2	2.5	1.9
Distribution	2.8	5.1	3.8
Hotels	15.6	5.1	3.8
Transport & comms	0.2	3.8	2.8
Financial services	0.6	3.8	2.8
Business services	-4.8	15.2	11.3
Public admin. & defence	-0.2	0.0	0.0
Education	2.8	2.5	1.9
Health	-0.5	2.5	1.9
Other personal services	15.3	2.5	1.9
Total	59.8	50.7	37.6

Source: Oxford Economics

5.4 Likelihood of outcomes

There are a range of possible outcomes, and the alternate scenarios set out a selection of these and their implications for Clyde Valley. Each of the scenarios produces a higher rate of growth and expansion in the Clyde Valley economy than the baseline economy, it is worth remembering there are a range of risks which abound that could make even the base case appear an optimistic outlook. By way of a qualitative summary the potential likelihood of the range of scenarios is as follows

Table 5.5: Qualitative assessment of outturn likelihoods

Scenario	Weaker than base	base	Migration scenario	re-balancing scenario	Stronger than either scenario
Likelihood	20%	40%	20%	10%	10%

From an economic point of view consideration of the demand conditions which might facilitate faster growth would be viewed as the soundest platform upon which to build a scenario. A more 'planning led' (in the sense that it is demographically or supply driven) scenario carries much greater sense of risk and uncertainty, particularly in more challenging economic conditions. The possibility for economic growth resulting from extra provision of housing must be considered in the context of how this change might trigger additional employment in exporting sectors (either new to the UK or displaced from elsewhere). Though additional people bring demand, attracting people can be difficult without the suitable economic conditions, hence a demand led upper scenario is perhaps most plausible in current conditions.

6 Summary and strategic remarks

6.1 Summary – tomorrow will not be like yesterday

The economic outlook remains very uncertain heading into mid 2010. **The pressures on consumers and the government are weighing heavily on overall prospects and offsetting any improvement in the corporate sector.** The economic recovery will depend on the strength of the exports sector and though Oxford consider services likely to be the mainstay of such growth the possibilities in other sectors should not be discounted given the fright with the global recession gave to the global financial industry.

For Scotland and consequently for Glasgow Clyde Valley the recession has taken a significant toll, broadly proportionate to what has occurred elsewhere in the UK, and the road to recovery looks both perilous and long. Base projections **suggest it will be perhaps a decade before employment levels return to their peak** and also suggest a return to modest population decline as migration responds to the weakening conditions. Over the course of the slow recovery decade (2010-2020) growth is projected at a relatively modest (in the context of the decade just past) 3,250 net jobs per annum and 2.4% GVA growth for Glasgow / Clyde Valley before moderating to an annual average 1,500 jobs per annum and 1.9% growth in the period 2020-2035.

All forecasts suffer from uncertainty, more so currently in light of the fragile state of the UK economy. **As such considering alternate scenarios for future growth is a sensible approach.** The possibilities for a re-balanced UK economy and a more positive migration pattern into Glasgow / Clyde Valley have been considered. Under these alternate outcomes the region performs more strongly, averaging approximately 6,000 net jobs per annum (2010-2025). Though presenting useful alternative outcomes, care must be taken with such upper scenarios – the baseline suggests a lack of demand for the jobs in the re-balanced scenario (at current UK competitiveness levels) and for the migrants in the upper migration scenario.

The likelihood of a faster growth trajectory (broadly consistent with either upper scenario) may be modest but it is well within the realms of possibility. In practice it **would require the Glasgow Clyde Valley region to attract a greater share of world demand in a range of exporting sectors, or offer housing quality and living standards which make the area relatively more attractive** than other locations and thus economic activity is displaced to Glasgow Clyde Valley. In addition it remains the possibility that the UK recession has been overstated, if it has not then firms appear to have held onto labour at the expense of productivity levels. This means that during recovery they will not need to recruit significantly and hence job growth will be sluggish.

Recovery from recession will be slow and for many people will take much longer than economists will record the recession as having lasted. **For Clyde Valley prospects are more muted than they were pre recession, all eyes are on export potential and pressures on consumer incomes and on public sector jobs will make the decade ahead feel very different to the decade past.** That said the outlooks remain broadly positive for urban locations with a predominance of service sector jobs likely over the medium term and in this regard Glasgow Clyde Valley's prospects remain more positive than studying current conditions might lead one to conclude.

6.2 Strategic remarks

Revisiting the Glasgow Clyde Valley economy and analysis the possible outcomes at such an uncertain time economically has provided a range of useful insights and issues for consideration in future planning and strategising in the region. With particular consideration to the planning and spatial policy arenas the authors would make the following strategic remarks:

- **Flexibility required:** The planning process necessarily needs some certainty and precision over future land zoning, location and scale. Where possible flexibility needs to be accommodated into the process given the huge uncertainties over the future trends economically and demographically. Though aspirations of modular zoning that can bolt on additional capacity as required is perhaps unworkable, the concept of a more nimble and responsive strategy that can alter course more rapidly (within a wider remit of strategic direction) is one to consider how best to adopt
- **Complementarities with economic strategy:** The analysis clearly shows the role that the economy has in migration and demographic trends. This means a strong read across between the economic strategy (and any transportation elements within) and the planning strategy. This is particularly important when considering the types of jobs likely to be created and their potential location
- **Environmental and transportation issues:** The likely real cost rise in transportation as a result of rising environmental taxes, energy prices and possible tax raising approach (at national and local level) means that the need to reduce travel distance and time will be crucial in terms of spatial location of jobs and people. Land adjacent to major public transportation networks (most notably railway stations) could become extremely valuable and desirable in the medium term.
- **Changing demographic patterns:** It is clear that the UK population is aging, living longer and thus the housing characteristics may well face significant change in the medium term. Though the location for retirement locations is far from easy to predict, the need to provide sufficient housing of a differential type (perhaps single story, more landscaped with locale amenity provision) will be an important aspect of future housing need
- **The wealth effects:** If migration continues in absence of economic prosperity then the demand for housing will be at the social / supported end of the market. The higher migration scenarios discussed in this report (including the HNDA Scenario C) will require either Glasgow Clyde Valley to attract a large share of UK / international markets in exporting activities or the region will suffer rising unemployment and worklessness (which in turn would affect housing tenure and type with respect to demand profile)
- **Creative policy tools:** It will be important to consider the use of taxation and incentives to encourage 'desirable' behaviour in terms of residents and businesses. Some of the powers may not currently exist locally but they may be in future. These include the use of rating policy to ensure quality of property (in terms of visual and environmental / safety aspects) and to limit vacant property. Also the use of charging policies on parking/ access to help direct economic development towards Brownfield and into prime (from a planning and spatial point of view) locations. Stipulations on type of build (see the point regarding elderly populations above) may be required in planning consent considerations.

- **Urban living facilitation:** Urban living has become more attractive as a result of the move towards graduate hungry service sector jobs (and away from land and capital hungry industrial production) this is likely to continue into the medium term. However the single style provision of city centre apartments may need reconsideration and the maintaining of school, entertainment and green space, alongside a range of housing tenures and types in a compact urban environment remains an important consideration going forward.
- **Public finance pressures:** The public finance pressures will exert a range of significant squeezes on public money which may impact on planning policy. For example the need to sell any public land for income may increase as may the desirability to raise revenue through squeezing the planning / building / development process. It is important to attempt to keep economic and planning policy mindful of the economic realities but independent of pressures that may lead to a disjointed economic development patchwork unsuitable for more environmentally cost sensitive high energy cost times which lie ahead
- **'Sweating' assets:** The financial pressures may mean that the short term needs for land are relatively modest and better use of the existing 'estate' will be necessary. 'Sweating' the current assets stock harder may be appropriate but the desire to move to new lower cost (from an energy point of view) premises may lead to a significant recurrence of underutilised assets in the urban centres. Mitigating against such a return of urban blight will be an important strategic concern
- **The need to re-balance:** whilst some of the talk of the UK economy rebalancing back towards industrial production may be over done (given relative wage costs and other competitiveness issues) the possibility of some on shoring of small scale production and development of new technological sectors (such as green technologies) means that land use will not be exclusively service or office orientated as perhaps was considered pre recession.

Annex – high export content

		SIC 03	% of total demand	£million
114	Other business services	74.5 to 74.8	23.5	25884
100	Banking & finance	65	23.3	24884
77	Motor vehicles	34	24.2	24371
102	Auxiliary financial services	67	63.0	20881
43	Pharmaceuticals	24.4	43.7	15201
5	Oil & gas extraction	11 + 12	25.3	13930
80	Aircraft & spacecraft	35.3	44.3	12848
76	Medical & precision instruments	33	31.9	8985
69	Office machinery & computers	30	27.0	8222
55	Non-ferrous metals	27.4	42.8	7586
95	Water transport	61	54.2	7490
54	Iron & steel	27.1 to 27.3	36.6	7380
38	Organic chemicals	24.14	37.3	7329
62	Mechanical power equipment	29.1	41.8	6410
66	Special purpose machinery	29.5	47.2	6106
108	Research & development	73	40.6	5523
63	General purpose machinery	29.2	28.3	4807
45	Other chemical products	24.6	41.1	4705
7	Other mining & quarrying	14	37.2	4181
70	Electric motors & generators etc.	31.1 + 31.2	35.0	4100
74	Transmitters for TV, radio & phone	32.2	21.5	3047
40	Plastics & synthetic resins etc.	24.16 + 24.17	27.8	3025
72	Electrical equipment nec	31.4 to 31.6	23.0	2853
82	Jewellery & related products	36.2 + 36.3	36.8	2792
61	Other metal products	28.7	21.5	2434
78	Shipbuilding & repair	35.1	37.3	1940
73	Electronic components	32.1	20.5	1605
47	Rubber products	25.1	22.0	1561
60	Cutlery, tools etc.	28.6	20.2	1200
64	Agricultural machinery	29.3	38.6	1164
65	Machine tools	29.4	31.8	1158
27	Knitted goods	17.6 + 17.7	21.8	897
37	Inorganic chemicals	24.13	20.2	895
22	Textile weaving	17.2	35.2	819
36	Industrial gases & dyes	24.11 + 24.12	23.3	815
71	Insulated wire & cable	31.3	20.7	672
29	Leather goods	19.1 + 19.2	23.8	671
26	Other textiles	17.52 to 17.54	23.9	650
41	Pesticides	24.2	43.3	574
46	Man-made fibres	24.7	46.0	501



GLASGOW and
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strategic development
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