

Scottish Economic Growth Estimate

(October 2012)



Summary

- Scotland's economy grew around 0.7%, compared to UK growth of 1.0%
- Most of the difference explained by a more muted Olympics impact compared to UK (mainly London);

Gross Domestic Product (GDP)

Scotland is relatively well served by the Scottish Government's economic statistics. Scotland is unrivalled among European regions with a timely quarterly official measure of real economic growth, but this measure can still lag behind figures for the UK.

4-consulting has used an econometric model of Scotland's economy to produce an early estimate of Scottish economic growth. This allows us to compare Scottish with ONS figures for the UK released today (25 Oct 2012).

Accuracy of previous estimates

Our previous estimate for Scotland's economic growth in the second quarter (2012) was released on 16 August 2012. This was more than two months ahead of the Scottish Government's publication of Gross Domestic Product in the second quarter (17 October 2012).

Our initial estimate of economic growth was a contraction 0.5% with our later revisions (28 September 2012) suggesting the fall would be closer to 0.3%. The figures produced by the Scottish Government showed a contraction of 0.4% suggesting our both our initial and revised estimates were accurate.

Latest estimate

The impact of the Olympics makes the latest estimate exceptionally difficult as the effects were unevenly spread between London and the rest of the UK. The ONS estimates that ticket sales alone (representing onsite Olympic activities) accounted for a bounce in GDP of 0.2%.

Using the econometric model without adjustment suggests that Scotland's economy grew by around 0.7% in the third quarter of 2012, the upper estimate (95% confidence interval) is around +0.9% and the lower estimate is around +0.5%).

The estimated growth figure for Scotland appears to be reasonable given the explanations provided by the ONS accompanying the latest UK figures. The ticket sales, representing the onsite activities at the Olympics activity, added around 0.2% GDP growth.

The ONS analysis is surprising in suggesting that the indirect (offsite) Olympics effect was weaker than anticipated. Many sectors reported some evidence of an Olympic effect (accommodation) but other sectors such as retail cited some negative impacts. The ONS data also suggests displacement with consumers switching to the Olympics from other different types of entertainment.

Next update

The next quarterly GDP figures for Scotland will be produced by the Scottish Government on 23 January 2013. The estimate contained within our October update is therefore nearly three months ahead of the official estimate for Scotland.