

Skills
Development
Scotland

Economy, People and Skills

November 2024



Contents

Introduction	3
Scotland's Economy	
Scotland's Economy - Gross Domestic Product	4
Economic Outlook	4
Inflation and the Cost of Living	5
Headline Labour Market Indicators	
Employment Rate	6
Economic Inactivity	6
Unemployment	7
Youth Unemployment	7
Unemployment Benefits - Trends	8
Redundancies and Company Insolvencies	8
Job Postings in Scotland	9
Spotlight: Two Years on from the Inflation Peak	10
SDS Support	
LMI Resources	12
Support for Individuals and Businesses	12

This **Economy, People and Skills** report provides evidence on the economy and labour market focusing on Scotland's people, businesses, sectors, and regions.

This report is part of a wider suite of labour market information products published by Skills Development Scotland, including **Regional** and **Sectoral** Skills Assessments.

New updates to these reports were published in October and complementary webinars are currently being delivered.

Find out more at the links above.

Following the decrease below 2% in September, which contributed to a further cut in the base interest rate, inflation rose back above target in October. Looking ahead, it is expected that fiscal loosening in the UK budget is likely to contribute to inflation rates returning above target and remaining so for longer, but they are not expected to reach the highs seen in recent years. Economic growth has slowed from earlier in the year, but forecasts for 2024 still predict stronger annual growth than last year.

There are signs that the labour market is stabilising

PAYE and claimant count data show little change for Scotland between September and October, with a small decrease in PAYE employment and small increase in claimant count. Over the longer term the two sources suggest that the Scottish labour market has cooled from highs seen post-pandemic. On the other hand, the most recent LFS data suggests a substantial decrease in unemployment compared to last quarter, but it is important to note that the LFS remains declassified from official statistics.

Online job postings show a continued cooling trend, sustained throughout 2024

Online job postings also suggest the Scottish labour market is cooling. Postings in October fell slightly compared with September (by 2% or 700 postings), and more sharply compared with October 2023 (by 23% or 12,300 postings). Across 2024, postings have averaged just over 40,000 per month, compared with over 50,000 in 2023.

Inflation increases more sharply than expected

Inflation increased from 1.7% in September to 2.3% in October, back above the 2% target. The increase was

greater than anticipated, driven by the increase in the energy price cap in October. Prior to the October data being released, the Bank of England (BoE) made its second cut to the base interest rate this year in early November, reducing it from 5% to 4.75%. This reflected the decline in headline, core and services inflation in September, as well as regular wage growth, which decreased to 4.8% in July to September 2024, its lowest rate since April to June 2022.

GDP growth has slowed from earlier in the year

The latest UK data showed a sharp decline in growth in Q3 2024, down to 0.1% from 0.5% in Q2 and 0.7% in Q1. Q3 data for Scotland is not yet available, but monthly data indicates a similar picture to the UK. The Scottish economy contracted by 0.3% in August and grew by 0.1% over the three months to August, compared with 0.4% growth in Q2 and 0.7% in Q1.

New forecasts released which incorporate the UK budget suggest growth will improve modestly, but inflation will rise

The UK budget was announced at the end of October. Key policies include changes to employers' National Insurance Contributions and fiscal loosening to support increased government spending in areas such as Health and Education. A £240m 'Get Britain Working' support package was also announced.

New forecasts for the UK economy were released by the Office for Budget Responsibility (OBR) alongside the UK budget, and by the BoE early November. Both forecasts predict economic growth of around 1% for 2024, then higher rates of growth in 2025 and 2026. Fiscal loosening from the UK budget is expected to contribute to higher growth in 2025, but also higher rates of inflation. Further information is available on the GDP (page 4) and inflation (page 5) forecasts in this report.

UK and Scotland Economy - Gross Domestic Product (GDP)

UK GDP

The latest data for the UK indicates a slowdown in growth from earlier in the year. UK GDP is estimated to have grown by 0.1% in Q3 2024, down from 0.5% in Q2 and 0.7% in Q1.¹

The slowdown has also been reflected in monthly figures, showing that the UK economy contracted by 0.1% in September, following 0.2% growth in August and no growth (0.0%) in July.²

Revised annual GDP figures from the Office for National Statistics (ONS) estimate the UK economy grew slightly in 2023 (0.3%) – an upward revision from an initial estimate of 0.1% growth.¹

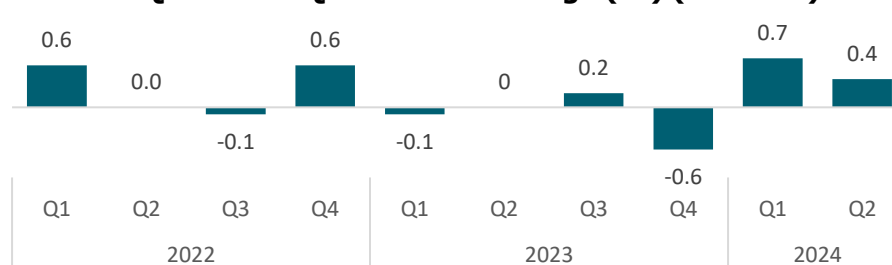
Scotland GDP

Scotland has returned to growth in 2024, with the latest figures showing the economy expanded by 0.4% in Q2 (revised down from

0.6%) and 0.7% in Q1 (revised up from 0.5%).³ This followed a contraction of 0.6% in Q4 2023, although, unlike the UK, Scotland did not enter a recession. Revised figures estimate very low GDP growth across 2023 of 0.2% (up from a first estimate of 0.1%).³

The latest monthly data for Scotland is for August, showing a contraction of 0.3%. As with the UK, monthly figures suggest that growth has slowed since Q2.⁴

Quarter on Quarter GDP Change (%) (Scotland)



Economic Outlook

New economic forecasts for the UK were released by the Office for Budget Responsibility (OBR)⁵ at the end of October (alongside the UK budget) and by the Bank of England (BoE) in early November.⁶

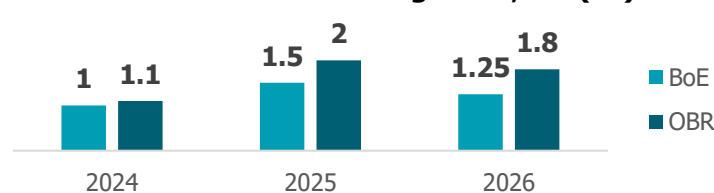
Both sets of forecasts predict that economic growth in the UK will increase to around 1% in 2024, up from 0.3% in 2023. Looking ahead, the BoE predicts growth of 1.5% in 2025 and 1.25% in 2026. The OBR is more optimistic for 2025 and 2026, forecasting growth of 2.0% and 1.8% respectively.

Both forecasts expect UK budget policies to have a positive impact in the near-term that then recedes. The OBR and the BoE also note that growth in 2024 has fallen since the start of the year, with quarterly growth expected to decline in Q3 and Q4 compared with

levels seen in Q1 and Q2.

Looking at unemployment, the OBR forecast that this will fall slightly as a result of UK government policy, remaining around 4% for the duration of the forecast. The BoE forecast a slight increase in 2026 and 2027, but the unemployment rate is still expected to remain at around 4%. Further information on the inflation forecasts can be found on the following page.

Forecasts for annual GDP growth, UK (%)



¹ ONS. [GDP First Quarterly Estimate, UK: July to September 2024](#) (November 2024).

² ONS. [GDP monthly estimate, UK: September 2024](#) (November 2024).

³ Scottish Government. [GDP Quarterly National Accounts: 2024 Q2](#) (October 2024).

⁴ Scottish Government. [GDP Monthly Estimate: August 2024](#) (October 2024).

⁵ OBR. [Economic and Fiscal Outlook](#) (October 2024).

⁶ BoE. [Monetary Policy Report](#) (November 2024).

Inflation and the Cost of Living



Business sentiment remains steady, but results signal current challenges

Fraser of Allander's latest Scottish Business Monitor found that **sentiment has remained broadly steady** in Q3 2024, with a net balance of +17 pp for the anticipated volume of business. This is slightly up from +16pp in Q2, and indicates that **more businesses expect sales to grow than decline**.¹

Whilst positive, the data also suggests some current challenges for businesses.

For example, the net balance for sales over the last quarter fell from +4.5pp in Q2 to -0.8pp in Q3, meaning **more firms had a decline in sales than had an increase**.¹



Consumer sentiment fell over the quarter but remains higher than the previous year

The Q3 2024 Scottish Consumer Sentiment Indicator was -0.2, meaning **sentiment has turned negative and fallen by 2.6 points compared with Q2**.²

Whilst this does indicate worsening sentiment over the quarter, **the indicator remains considerably higher than at the same point in 2023** (-9.9).

The **main driver of the quarterly decline was a fall in expectations for next year**. Conversely, respondents have become slightly more positive about the current performance of the Scottish economy.



Inflation increases back above target

Inflation (CPI) in the UK increased to 2.3% in October 2024, up from 1.7% in September. This was a sharper increase than had been expected, and leaves headline inflation back above the 2% target.³

The main driver of the increase was the rise in the energy price cap in October, which increased by 10%.

As well as the headline rate, there were also slight increases in Core and Services inflation, which both increased by 0.1 pp compared with September.

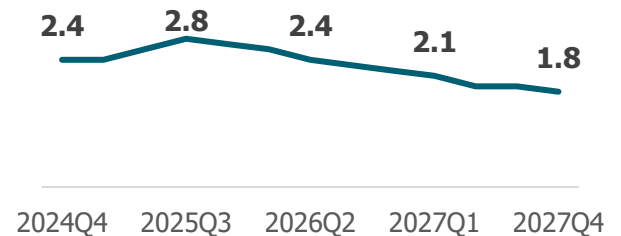
Inflation forecast

UK inflation forecasts were released by the BoE in November.⁴ Similar to their previous forecasts, inflation is predicted to temporarily increase, before then returning to target. One of the key drivers for the increase is the fall in energy prices coming out of the annual calculation. However inflation is now expected to peak later (Q3 2025 instead of Q4 2024/Q1 2025), and at a slightly higher level (2.8% compared with 2.7%).

It is also forecast to take longer to return to the 2% target, with inflation falling to slightly below 2% in Q2 2027, compared with Q1 2026 in the previous forecast.

The inflation forecast released by the OBR⁵ in October is similar, with inflation predicted to peak at 2.7% in Q2/Q3 2025. Although the OBR expect it to take longer for inflation to fall back to target (Q1 2029).

BoE – Modal CPI Inflation Projection (%)



¹ Fraser of Allander. [Scottish Business Monitor Q3 2024](#) (October 2024).

² Scottish Government. [Scottish Consumer Sentiment Indicator: 2024 Q3](#) (October 2024).

³ ONS. [CPI, UK: October 2024](#) (November 2024).

⁴ Bank of England. [Monetary Policy Report – November 2024](#) (November 2024).

⁵ OBR. [Economic and Fiscal Outlook](#) (October 2024).

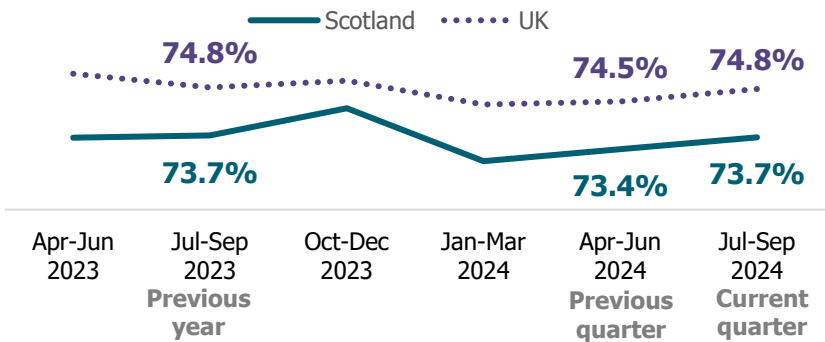
The LFS returned in February, and the ONS have published new, reweighted estimates from 2011 for the UK and from 2022 for Scotland. This reweighting incorporates UK population changes, helping to make LFS estimates more representative. Reweighted and non-reweighted data is not comparable and therefore non-reweighted figures have been used below for the longer-term trend - as reweighted figures are only available from 2022 for Scotland. The ONS continue to advise that LFS data should be used with caution and in conjunction with other sources.

Employment Rate (16-64)¹

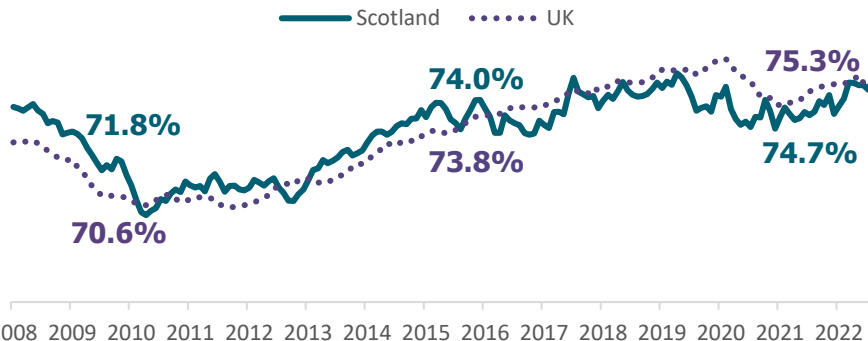
➤ **Scotland's employment rate was estimated to be 73.7%**

- The latest data suggests Scotland's employment rate was **73.7%** in the period covering July to September 2024. The rate is estimated to have increased by 0.3 pp compared with the previous quarter.*

Employment Rate: 2023 onwards (re-weighted figures)



Employment Rate: Longer-term trend – 2008-2022 (non re-weighted figures)

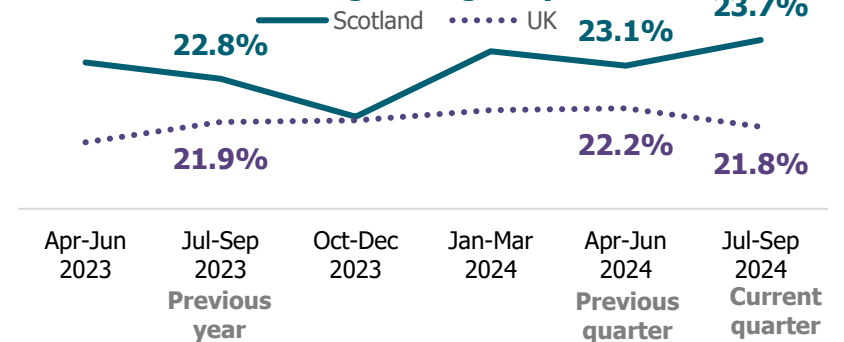


Economic Inactivity (16-64)¹

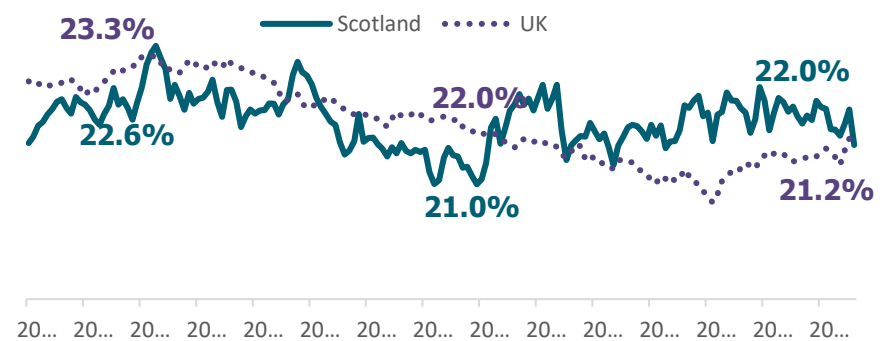
➤ **The 16-64 Scottish economic inactivity rate was estimated to be 23.7%**

- The latest data suggests that Scotland's economic inactivity rate was **23.7%** in July to September 2024. The economic inactivity rate was 0.6 pp higher than last quarter.*

Economic Inactivity Rate: 2023 onwards (re-weighted figures)



Economic Inactivity Rate: Longer-term trend – 2008-2022 (non re-weighted figures)



¹ ONS, Labour Force Survey (12th November 2024).

*Figures may not sum due to rounding. Please also see the opening statement about the most up-to-date LFS data.

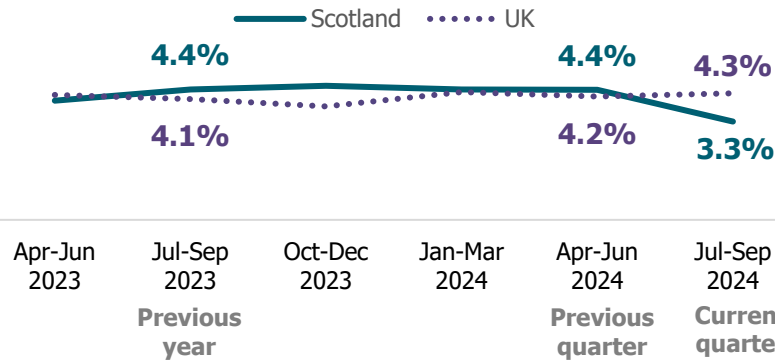
The LFS returned in February, and the ONS have published new, reweighted estimates from 2011 for the UK and from 2022 for Scotland. This reweighting incorporates UK population changes, helping to make LFS estimates more representative. Reweighted and non-reweighted data is not comparable and therefore non-reweighted figures have been used below for the longer-term trend - as reweighted figures are only available from 2022 for Scotland. The ONS continue to advise that LFS data should be used with caution and in conjunction with other sources.

Unemployment (16+)¹

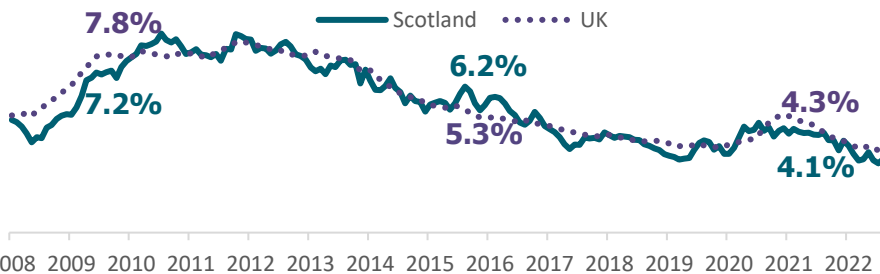
➤ Unemployment in Scotland was estimated to be **3.3%**

- The latest data suggests Scotland's unemployment rate was **3.3%** in the period covering July to September 2024. This is a decrease compared with the last quarter (1.1 pp change).*

Unemployment Rate: 2023 onwards (re-weighted figures)



Unemployment Rate: Longer-term trend – 2008-2022 (non re-weighted figures)



Youth Unemployment (16-24)^{1,2}

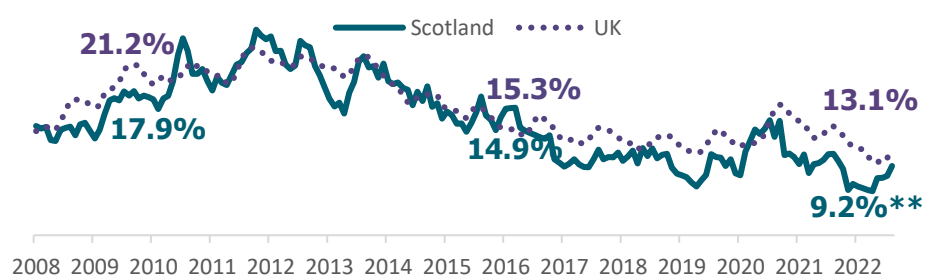
➤ 16-24 youth unemployment in Scotland was estimated to be **14.4%**

- The latest data estimates Scotland's youth unemployment rate was **14.4%** in the period covering July to September 2024.* This is higher than the same period of the previous year (1.2 pp increase), but it is important to note the declassification of LFS data and the small sample sizes that youth unemployment is based on.**

Youth Unemployment Rate: 2023 onwards (re-weighted figures)



Youth Unemployment Rate: Longer-term trend – 2008-2022 (non re-weighted figures)



¹ ONS, Labour Force Survey (12th November 2024). ² Please note: Youth Unemployment should only be compared to the previous year.

*Figures may not sum due to rounding. Please also see the opening statement about the most up-to-date LFS data. **Figures marked with ** have been flagged by the ONS as based on small sample sizes. More generally age breakdowns of regions will be subject to smaller sample sizes, creating greater volatility and less precision. As a result the Annual Population Survey (APS), which has a larger timeframe and the Scottish LFS boost, is the Accredited Official Statistics source for labour market indicators by region and age. Please find analysis of the youth labour market using APS data [here](#).

Universal Credit¹ and Claimant Count Rate²

577,800

people claiming Universal Credit in Scotland in October 2024

Between September and October 2024, 9,500 additional people in Scotland claimed Universal Credit, an increase of 1.7%. This continues a trend of increase from June 2022. The overall rise has been driven by an increase in claimants not in work.¹ Since January 2022 the proportion of claimants in work has ranged from 35% to 38%. As noted in September's spotlight, migration from legacy benefits is likely to be a factor in the increase in people claiming Universal Credit.

4.0%

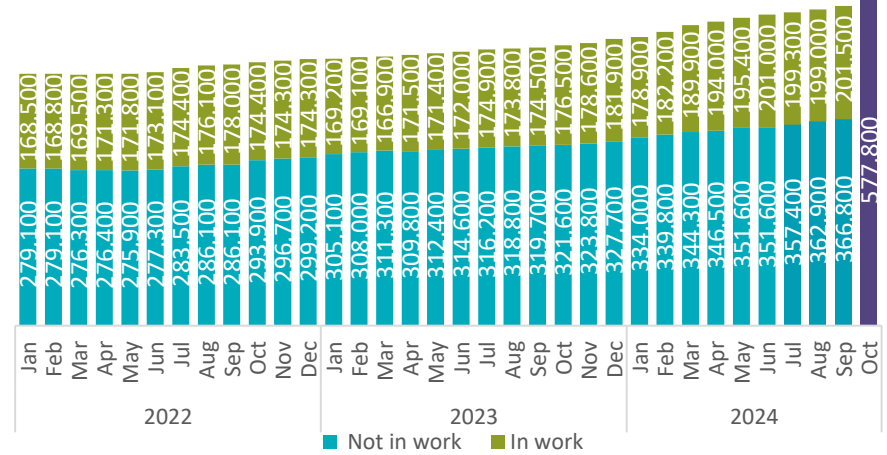
Claimant Count rate in Scotland in October 2024

Between September and October 2024, the Claimant Count rate increased from 3.9% to 4.0%. The Claimant Count rate has fallen from 4.7% in January 2022, but there has been a slight uptick in recent months. This trend of increase started from April 2024 when the Claimant Count rate was 3.6%.

Universal Credit claimants in Scotland by employment status

65% 35%

Most recent proportional split of those in work and not in work¹



Redundancies³ and Company Insolvencies⁴

4,000*

Redundancies in the three months to September 2024 in Scotland

1.7*

Redundancies per 1,000 people (3.1 in the UK)

Scotland's latest redundancy figure cannot be compared with the previous year as data for July to September last year was suppressed on disclosure grounds. For the UK as a whole, redundancies increased by 14,000 or 18% compared with the previous year.

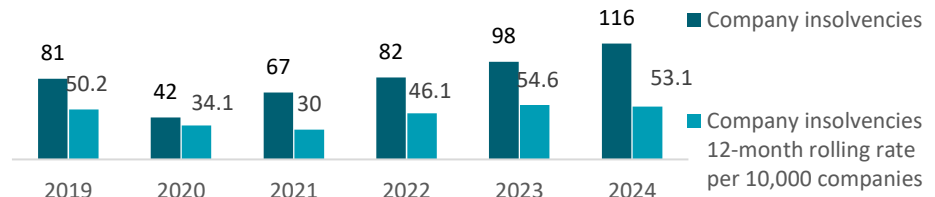
*Please note estimates are based on a small sample and should be used with caution.

116

Company insolvencies in Scotland, October 2024

Following a reduction during the pandemic, company insolvencies have since increased. In general, the trend has shown that company insolvencies in 2024 outstripped the number seen in 2019. This is reflected in data for October, as both the number and rate of insolvencies was higher in 2024 than in 2019,

Company Insolvencies (Scotland), October



¹ Department for Work and Pensions (November 2024). The breakdown of Universal Credit claimants by employment status is not available for October. October data is provisional. Figures for 'not in work' could include both those unemployed or economically inactive.

² ONS. Claimant Count (November 2024). *Experimental statistics*. October data is provisional.

³ ONS. Labour Force Survey (12th November 2024).

⁴ The Insolvency Service. [Monthly Insolvency Statistics, October 2024](#) (November 2024).

Job Postings in Scotland^{1,2}

Online job postings continued to cool in October, falling to 40,700. This was a slight decrease compared with the previous month, but a sharp decline compared with the previous year.

Online job postings in October decreased slightly, by 2% or 700 postings compared with September. Postings decreased more substantially compared with the previous year (October 2023), falling by nearly a quarter (23%) or 12,300 postings. The three-month-rolling average increased slightly (by 2%) for August to October compared with July to September.

The highest demand in October was for occupations such as:

- Sales Related Occupations;
- Care Workers and Home Carers;
- Cleaners and Domesticists;
- Sales and Retail Assistants; and
- Roundspersons and Van Salespersons.

The occupations in highest demand remain similar to last month.

The following occupations had the largest change in job postings in October compared with September:

Increase:

- Sales Related Occupations (+200);
- Roundspersons and Van Salespersons (+200); and
- Coffee Shop Workers (+200).

Decrease:

- Programmers and Software Development Professionals (-200);
- Cleaners and Domesticists (-100); and
- Secondary Education Teaching (-100).

The skills in highest demand in October were:

Common skills

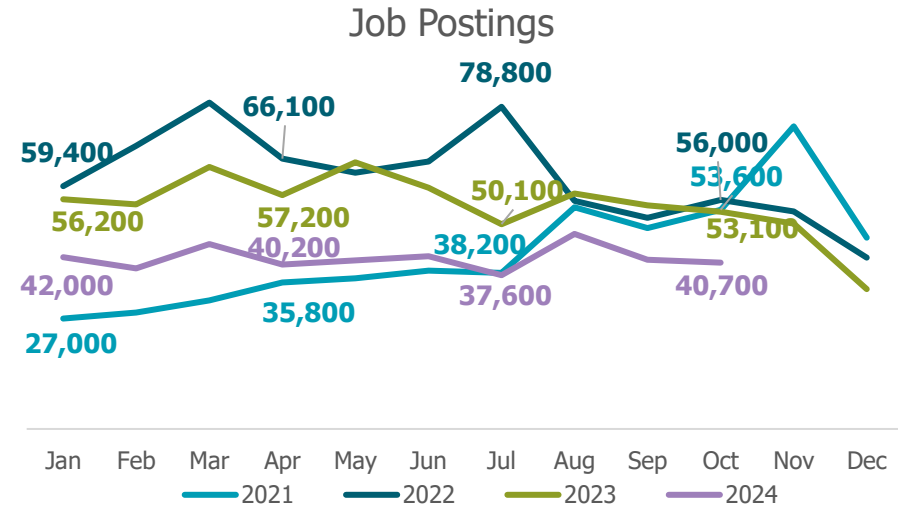
- Communication;
- Customer Service; and
- Management.

Specialised skills

- Project Management;
- Finance; and
- Auditing.

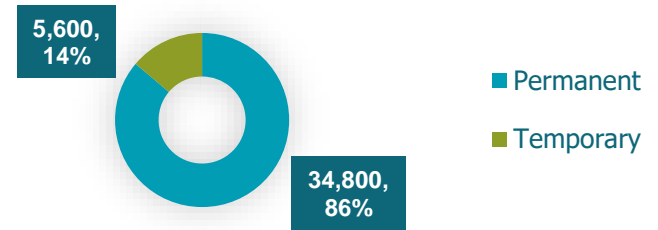
Public and private sector postings in October:

- In October, the top 10 organisations with the most job postings were mainly private sector organisations.

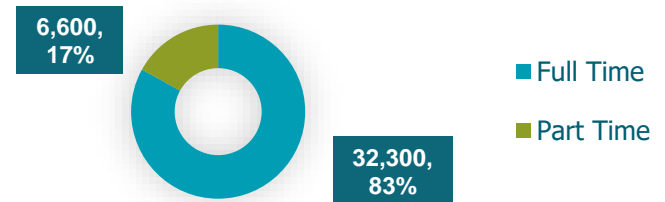


Job Postings in Scotland, October 2024

Permanent and Temporary*



Full Time and Part Time*



*Please note, the total number of temporary and permanent job postings and full time and part time may not sum to Scotland's total as some postings do not specify this information.

¹ Lightcast (November 2024). Lightcast gathers insights from online job postings. Please note October 2024 job postings are provisional.

² Numbers rounded to the nearest 100.

Spotlight: Two years on from the Inflation Peak

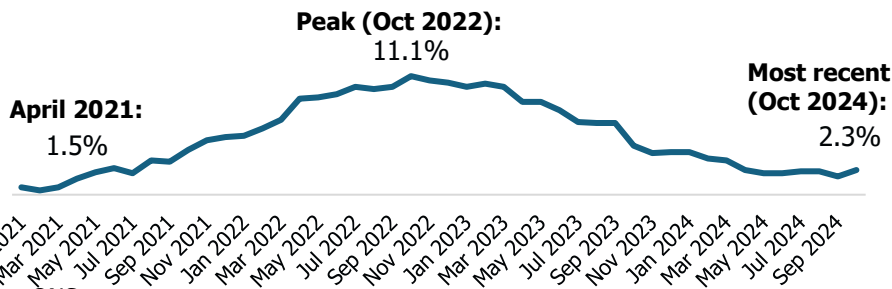
High levels of inflation were a feature of the economy across 2022 and 2023. Inflation (CPI) has fallen substantially since mid-2023, although an increase in the latest data means it remains slightly above the 2% target. Marking two years since CPI reached its peak level in October 2022, this spotlight analyses the recent rise and fall in inflation, how it has impacted individuals, and the future outlook.

Inflation reached its highest level in over 40 years in October 2022¹

As shown in Figure 1, the cycle of rising inflation started in late 2021 and peaked at 11.1% in October 2022. This was the highest rate of inflation seen in over 40 years. The rise in inflation was driven by high demand for goods and a tight labour market post-pandemic, as well as the conflict in Ukraine, which led to an increase in energy and food prices.²

Since October 2022, inflation has declined substantially, with the latest data showing that it is just above the 2% target, at 2.3% in October 2024, although this was an increase from 1.7% in September 2024 (which was the lowest inflation had been since April 2021). Much of the decline occurred in the latter half of 2023, with inflation falling from 7.9% in June 2023 to 4.0% in January 2024.

Figure 1: UK Inflation (CPI), Jan 2021 to Oct 2024



Source: ONS

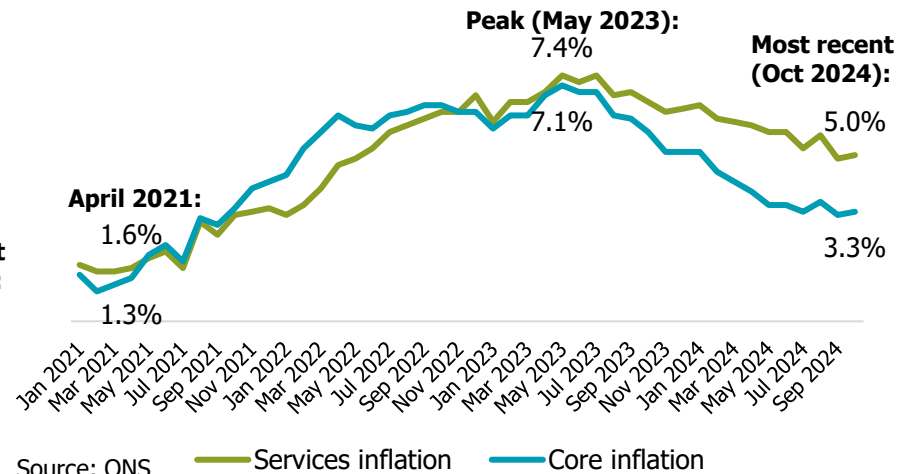
¹ ONS. [Consumer Price Inflation, UK: October 2024](#) (November 2024).

Compared to headline inflation, Services and Core inflation have fallen more slowly¹

Along with the headline rate, components within this are important for understanding the state of the economy. In particular, for its interest rate decisions, the Bank of England (BoE) takes note of Core and Services inflation. Core inflation excludes items such as food, energy, alcohol and tobacco, which tend towards high levels of fluctuation. In contrast, Services inflation only measures inflation for services (not goods), which is considered less volatile, and also a better measure of domestic inflation.

The trajectory of the Core and Services CPI components has differed from the headline rate (Figure 2), with both measures peaking at a lower rate, peaking later (in mid-2023) and falling at a slower pace. These differing trends reflect that Services and Core inflation are measuring less volatile price indices, which may show the longer-lasting impact of price rises in more volatile areas such as energy.

Figure 2: UK Services and Core Inflation (CPI), Jan 2021 to Oct 2024



Source: ONS

² BoE. [Explainers: What will happen to inflation?](#) (November 2024).

Spotlight: Two years on from the Inflation Peak

In response to the increase in inflation, the Bank of England increased interest rates

As inflation rose to record highs the BoE, which aims to keep inflation to its 2% target, increased the base interest rate from 0.1% in December 2021 to a peak of 5.25% in August 2023, the highest since 2008. The BoE has only recently begun to cut the base rate. The first 0.25 percentage point (pp) cut was made in August 2024, followed by a second 0.25 pp cut in November.³

The increase in the base interest rate has had a significant impact on individuals as mortgage rates increased substantially, and rents have also been impacted. For example, the BoE estimated in December 2022 that mortgagors with a fixed rate expiring by the end of 2023 would see an average increase of £250 in their monthly payment.⁴ Looking at rent, the average rent of a two-bedroom private sector property in Scotland increased from £693 in 2021 to £841 in 2023.⁵

The increased cost of housing is part of a wider cost-of-living crisis created by the rise in inflation

Widely referred to as the cost-of-living crisis, record high inflation has substantially increased costs for households, and this has been further exacerbated by the fact that essentials, such as energy and food, have seen some of the biggest price rises.

At the peak of the crisis, 80% of adults in Great Britain reported that their cost-of-living had risen compared with the previous month. Whilst this has fallen as rates of inflation have declined, the latest data still shows over half (53%) of adults reported a month-on-month increase in October 2024.⁶ Throughout the reporting period, the most commonly cited reason for the increase in month-on-month cost-of-living has been the increased price of food shops

(reported to have increased by 90% in October 2024). Energy bills have also been an important factor, though falling prices have meant fewer people are reporting finding it difficult to pay their energy bills, declining from around half (49%) in May 2023 to around a third (33%) in October 2024.⁶

Whilst Energy bills have fallen from their peak level, and the rate of increase in food prices has slowed, prices remain significantly elevated from their pre-cost-of-living-crisis level, meaning that challenges remain for many. In particular, it is important to consider the impact on those with low incomes. Analysis from the Joseph Rowntree Foundation (JRF) found that in Spring 2023, eight in ten low-income families had gone without essentials, and nearly one in three had skipped or cut down the size of meals.⁷

Since Jan 2021 prices have increased far more than wages



Food:
32%



Energy:
73%



Wages:
22%

Sources: ONS^{8,10} and Ofgem⁹

Forecasts suggest that inflation is likely to rise but will stay close to the 2% target

Looking ahead, the latest forecasts from the OBR¹¹ and BoE¹² predict that inflation will rise again from the end of this year. The predicted rise is far less substantial than in 2022, with CPI predicted to peak at around 2.7% to 2.8% in Q2/Q3 2025, just above the 2% target. However, it is higher than previously estimated, and the fall back to the 2.0% target is expected to take longer. The change in the forecast reflects the greater persistence in wage rises as well as the expected impact of the proposed fiscal loosening in the recent UK budget.

⁸ ONS. [CPI Index 01: Food and Non-Alcoholic Beverages](#) (November 2024).

⁹ Ofgem, as reported in: Money Saving Expert. [What is the Energy Price Cap?](#) (November 2024).

¹⁰ ONS. [Average Weekly Earnings in Great Britain](#) (November 2024).

¹¹ OBR. [Economic and Fiscal Outlook](#) (October 2024).

¹² BoE. [Monetary Policy Report](#) (November 2024).

³ BoE. [Official Bank Rate History](#) (November 2024).

⁴ BoE. [Financial Stability Report](#) (December 2022).

⁵ Scottish Government. [Private Sector Rent Statistics, 2010 to 2023](#) (November 2023).

⁶ ONS. [Public Opinions and Social Trends, Great Britain: October 2024](#) (November 2024).

⁷ JRF. [10 Cold, Hard Facts](#) (May 2023).

LMI resources



Regional Skills Assessments and Sectoral Skills Assessments

provide a consistent evidence base to inform future investment in skills.

New updates were released in October 2024. A series of webinars on the new publications is currently being delivered and can be booked at the links above.



The **Data Matrix**, offers data at Local Authority level, covering over 80 indicators covering Skills Supply, Skills Demand and Skills Mismatches.

The Data Matrix is updated Monthly.



CESAP Pathfinder, assesses the known investment, skills demand now and in the future, and current training and learning support for green skills in Scotland.

Skills Development Scotland is the national skills agency, supporting people and businesses to apply their skills, helping them to achieve their full potential

Apprenticeships

Scottish Apprenticeships provide integrated, flexible, in-work learning from school to graduate level, helping people gain industry-recognised qualifications.

Find Business Support

Enterprise and Skills agencies aligned offer to Scottish businesses and workers.

PACE

Scottish Government's PACE service can support employers and employees facing redundancy.

Skills for Growth

A fully-funded service for businesses with fewer than 250 employees which helps them identify their skills needs.

Career Information, Advice and Guidance

Skills Development Scotland's inclusive, all-age careers service empower people from all communities to make their own career and learning decisions.

Online Learning Portal

Helping people develop their skills with free online courses from training providers.

My World of Work Job Search

Helping employers advertise opportunities through SDS's careers website.

Green Jobs Workforce Academy

The Green Jobs Workforce Academy can help people take a greener approach to their careers, from accessing training and learning new skills to finding a new job.

Contact us:

rsa@sds.co.uk