

The logo for Skills Development Scotland, featuring the text "Skills Development Scotland" in a bold, sans-serif font. The text is white and is set against a dark blue background that has a decorative, scalloped edge on its left side.

Skills
Development
Scotland

Economy, People and Skills

August 2024



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

At the start of this month, the Bank of England cut the base interest rate for the first time since 2020. However, there are still challenges ahead, as inflation rose above the 2% target in July and is expected to rise further in the second half of the year. Labour market figures are more stable this month, but unemployment is forecast to increase over the next few years.

Latest labour market figures suggest little change for Scotland and the UK

Labour market figures are more stable this month. Scotland's employment rate increased slightly on the previous quarter, growing by 0.3 pp to 73.4%, whilst unemployment remained at 4.4% and economic inactivity fell slightly (0.3 pp) to 23.1%.

UK data was similarly stable, with unemployment decreasing slightly compared with the previous quarter (0.2 pp), economic inactivity remaining broadly the same and employment increasing slightly (0.1 pp). The ONS continues to advise that LFS data is used with caution and in conjunction with other sources.

Further decline in online job postings

In Scotland, online job postings continued their cooling trend in July, with month-on-month postings falling by 11% or 4,500 compared with June. Postings fell even more substantially compared with the previous year, declining by a quarter (25%) or 12,400 compared with July 2023.

As expected, inflation rises above 2%

UK inflation increased for the first time in 2024, rising to 2.2% in July, up from 2.0% in June. This also means inflation is back above the 2% target. However, the increase was widely expected due to the lessening

impact from energy prices. More positively, there was a substantial drop in services inflation, from 5.7% to 5.2%.

Quarterly GDP figures show growth through the first half of 2024

Revised GDP figures for Scotland indicate that output grew by 0.5% in Q1 2024 (revised down from a first estimate of 0.7%), following a fall of 0.5% in Q4 2023. The ONS' first estimate for Q2 2024 for the UK suggests further growth as GDP is estimated to have increased by 0.6%.

Purchasing Managers' Index (PMI) data, which provides an early indication of private sector activity, also suggested that business activity in Scotland expanded for the seventh month in a row in July.

The Bank of England cut the base interest rate, but inflation is expected to increase

The Bank of England's (BoE) Monetary Policy Committee voted to cut the base interest rate to 5% at the beginning of August. This is the first cut in the base rate since 2020. The decision was finely balanced with five committee members voting to cut the interest rate, whilst four voted to maintain it at 5.25%. The BoE have also signalled that the first cut is unlikely to be followed by a succession of further reductions.

Despite cutting the base rate, the BoE expect inflation to temporarily rise above the 2% target from the second half of this year, with CPI expected to return to target in early 2026. However, the August forecast also predicts that UK GDP will grow by 1.25% in 2024, up from 0.5% in the BoE May forecast. As was the case in May, the BoE expect the UK unemployment rate to increase, but remain below 5%, with the forecast predicting a peak of 4.8% in Q2 and Q3 of 2026.



UK and Scotland Economy - Gross Domestic Product (GDP)

UK GDP

The latest figures for the UK estimate 0.6% growth in Q2 2024, and 0.7% growth in Q1. This follows a short recession at the end of 2023.¹ Annual GDP figures for the UK estimate the UK economy was broadly flat across 2023 (0.1% growth). Excluding COVID affected 2020, this is the lowest annual growth recorded since the 2009 financial crisis.²

The latest monthly UK data shows no growth (0.0%) in June, following 0.4% growth in May and no growth (0.0%) in April.³

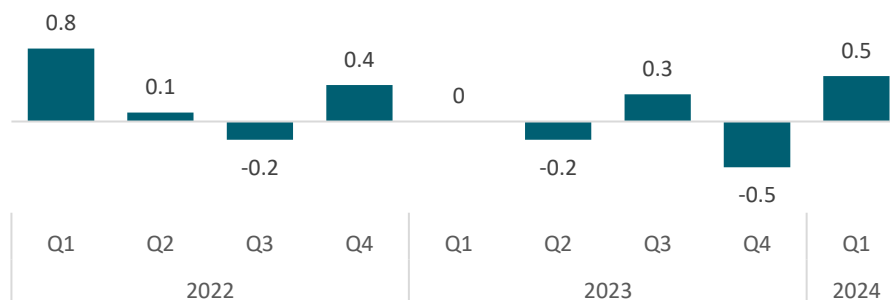
Scotland GDP

Like the UK, Scotland returned to growth in Q1 2024, with revised quarterly figures indicating an increase in output of 0.5%. This followed contraction of 0.5% in Q4 2023, although unlike the UK Scotland did not enter recession as the economy grew by 0.3%

in Q3 2023.⁴ As with the UK, GDP was broadly flat in 2023 with growth of just 0.1%.⁴

The latest monthly data for Scotland is for May 2024 which estimates the economy grew by 0.3%, following revised growth of 0.2% in April.⁵

Quarter on Quarter GDP Change (%) (Scotland)



Economic Outlook⁶

The Bank of England (BoE) Monetary Policy Committee voted to cut the base interest rate to 5% at the beginning of August, which was the first cut since 2020. The BoE also released new economic forecasts alongside the rates announcement.

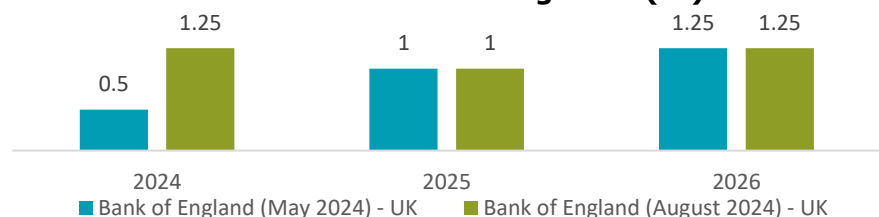
The decision to cut the base rate follows a sustained reduction in inflation, with CPI having fallen to the 2% target in May (though it rose slightly above target in July). The BoE expect the inflation rate to rise temporarily in the second half of 2024, before falling back to target rates. The BoE have indicated that the first cut is unlikely to be followed by further successive rate cuts.

Following weak economic growth in 2023, UK GDP increased by 0.7% in Q1 2024, with similar growth (0.7%) expected in Q2 (BoE prediction made prior to release of ONS first estimate).⁶ The

BoE expect growth to slow over the remainder of 2024 (to 0.4% in Q3 and 0.2% in Q4), before picking up again over the remainder of the forecast period.

The BoE now predict UK GDP will grow by 1.25% in 2024, an increase from the 0.5% growth predicted in their May forecast. The BoE’s forecast for 2025 and 2026 remain the same as predicted in May (1% and 1.25%, respectively).

Forecasts for annual GDP growth (%)



¹ ONS. [GDP first quarterly estimate, UK: April to June 2024](#) (August 2024).

² ONS. [GDP quarterly national accounts, UK: October to December 2023](#) (March 2024).

³ ONS. [GDP monthly estimate, UK: June 2024](#) (August 2024).

⁴ Scottish Government. [GDP Quarterly National Accounts: 2024 Quarter 1](#) (July 2024).

⁵ Scottish Government. [GDP Monthly Estimate: May 2024](#) (July 2024).

⁶ Bank of England. [Monetary Policy Report – August 2024](#) (August 2024).

Inflation and the Cost of Living



Businesses less concerned, but continue to expect challenges

The latest Business Insight and Conditions survey found that **one in five Scottish businesses (19.4%) had no concerns for August 2024**. This is the second highest proportion reporting no concerns since the time series began in 2022, and is a notable improvement from a low of 5.9% in July 2022. The survey also shows concerns about energy prices and inflation have receded.¹

However, challenges remain as **less than one third (31.7%) of respondents expect their business performance to improve** in the next year, the lowest proportion since winter 2022.



The cost of living remains a key issue, despite inflation easing

In July 2024 **45% of adults in Great Britain reported that their cost of living had increased over the past month**. While this remains high, it is the lowest proportion recorded in the time series.²

The survey also found that the proportion of bill payers who reported finding **energy bills difficult to pay had fallen to less than one-third (31%)**, the second lowest proportion recorded in the time series.²

Despite these trends, the **cost of living remains a key concern**, with 87% of respondents (and 93% of 16-29 year olds) reporting it as an important issue for the UK.³



Inflation rises for the first time this year

Inflation (CPI) in the UK increased to 2.2% in July 2024, up from 2.0% in June.

This was driven by energy prices - energy prices fell, but by less than they did a year ago.⁴ More positively, services inflation, a key measure for the BoE, fell to 5.2%, down from 5.7% in June.⁴

This is the first increase in inflation in 2024 and means that inflation is back **above the 2% target**. However, the **increase was widely expected**, and forecasts suggest that inflation will rise further before returning to the 2% target in early 2026.⁵

Inflation forecast

New UK inflation forecasts were released by the BoE in early August.⁵ Similar to their May forecast, inflation is predicted to temporarily increase in the second half of 2024, reaching around 2.75%. This increase reflects the fall in energy prices coming out of the annual calculation.

Following this increase, CPI is expected to start to decrease again from around mid 2025, falling back to the 2% target in Q1 2026. Inflation is then predicted to fall to 1.7% in two years' time (Q3 2026), and 1.5% in three years' time as a result of restrictive monetary policy and the emergence of slack in the economy.

BoE – Modal CPI Inflation Projection (%)



¹ Scottish Government. [BICS weighted Scotland estimates: wave 112 & 113](#) (August 2024).

² ONS. [Economic activity and social change in the UK, real-time indicators](#) (August 2024).

³ ONS. [Public opinions and social trends, Great Britain: June 2024](#) (July 2024).

⁴ ONS. [CPI, UK: July 2024](#) (August 2024).

⁵ Bank of England. [Monetary Policy Report – August 2024](#) (August 2024).

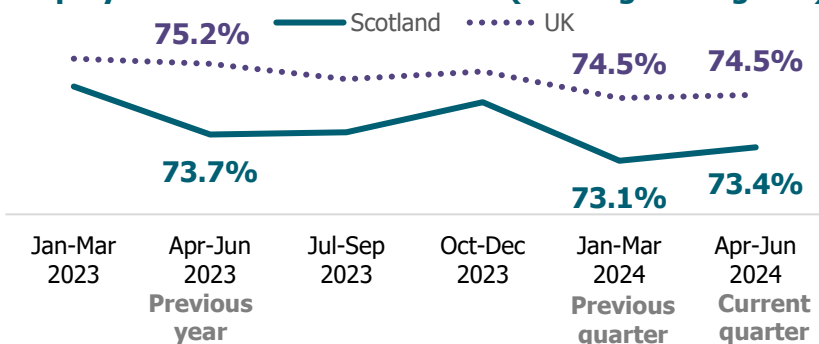
The LFS returned in February, and the ONS have published new, reweighted estimates from 2011 for the UK and from 2022 for Scotland. This reweighting incorporates UK population changes, helping to make LFS estimates more representative. Reweighted and non-reweighted data is not comparable and therefore 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

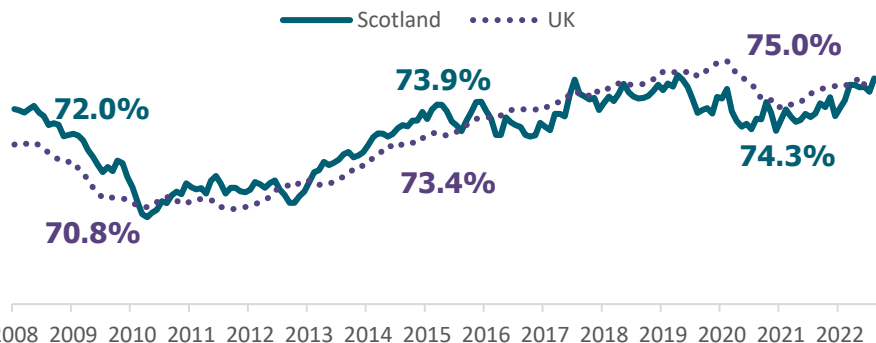
➤ **Scotland's employment rate was estimated to be 73.4%**

- The latest data suggests Scotland's employment rate was **73.4%** in the period covering April to June 2024. Employment 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)

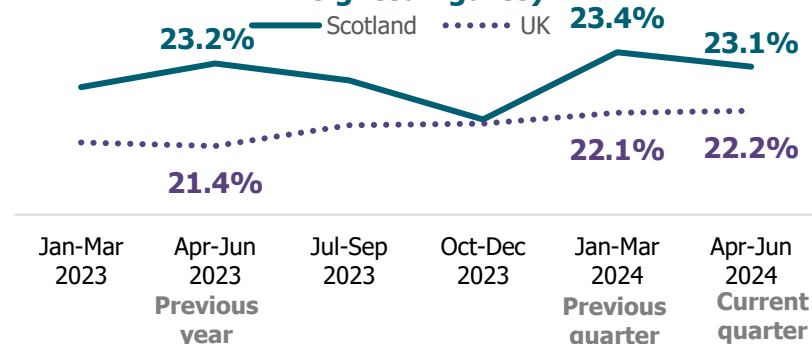


Economic Inactivity (16-64)¹

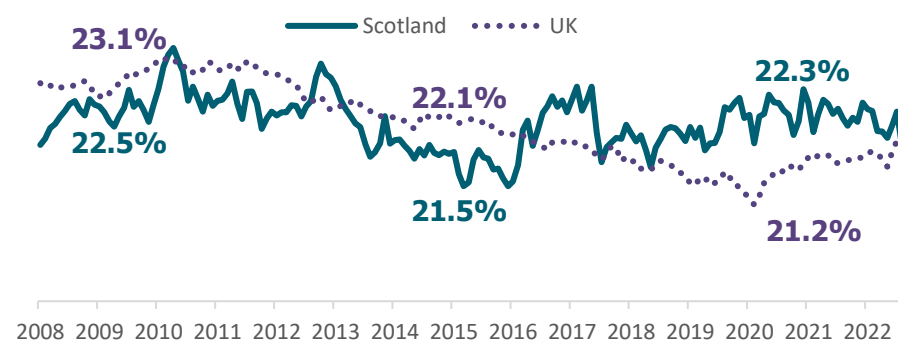
➤ **The 16-64 Scottish economic inactivity rate was estimated to be 23.1%**

- The latest data suggests that Scotland's economic inactivity rate was **23.1%** in April to June 2024. The economic inactivity rate was 0.3 pp lower 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 (13th August 2024).

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

Economy, People and Skills

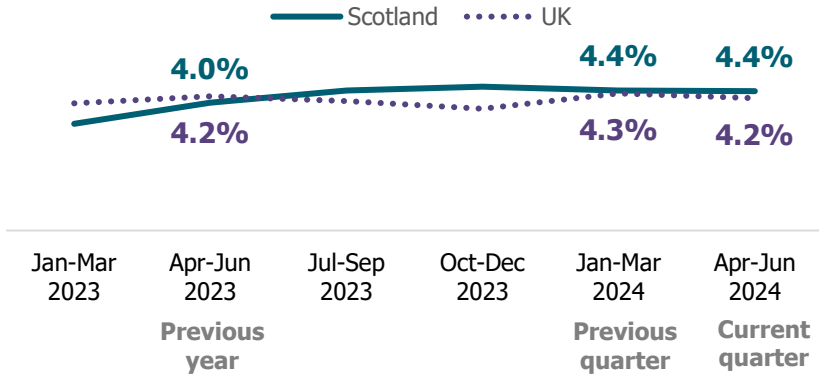
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Unemployment (16+)¹

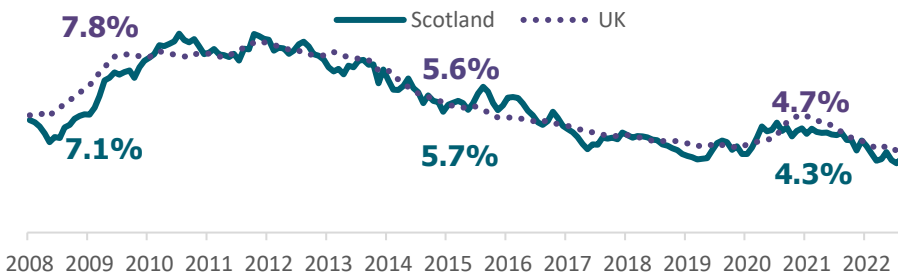
➤ **Unemployment in Scotland was estimated to be 4.4%**

- The latest data suggests Scotland's unemployment rate was **4.4%** in the period covering April to June 2024. This is the same rate compared with the last quarter (0.0 pp change).*

Unemployment Rate: 2023 onwards (re-weighted figures)



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

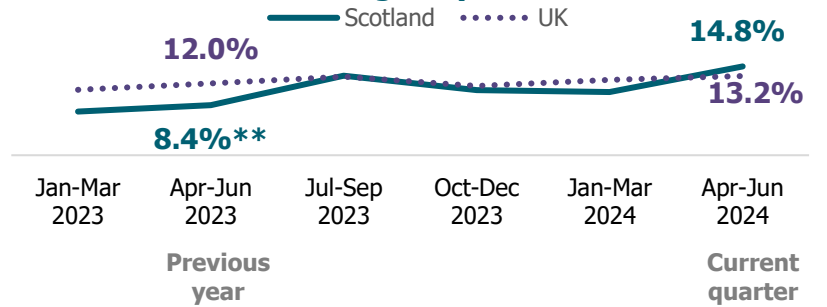


Youth Unemployment (16-24)^{1,2}

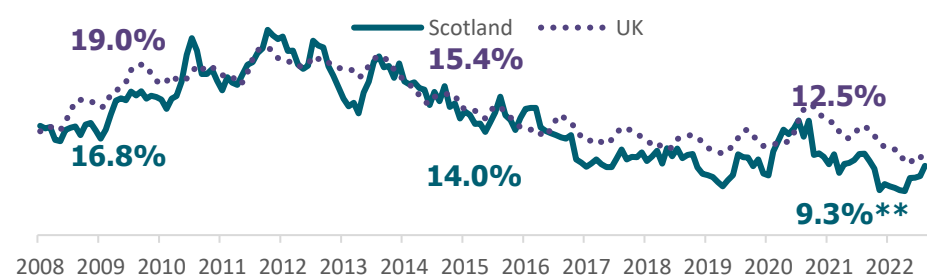
➤ **16-24 youth unemployment in Scotland was estimated to be 14.8%**

- The latest data estimates Scotland's youth unemployment rate was **14.8%** in the period covering April to June 2024.* This is higher than the same period of the previous year (6.5 pp increase), but it is important to note that the data from the previous year is based on a small sample size.**

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 (13th August 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. **Estimates are based on a small sample size. This may result in less precise estimates with a higher degree of volatility, and should be used with caution.

Universal Credit¹ and Claimant Count Rate²

561,600

people claiming Universal Credit in Scotland in July 2024

Between June and July 2024, 9,000 additional people in Scotland claimed Universal Credit, an increase of 1.6%. This continues a trend of increase from June 2022. The overall rise has been driven by an increase in claimants not in work. Since January 2022 the proportion of claimants in work has ranged from 35% to 38%.

3.9%

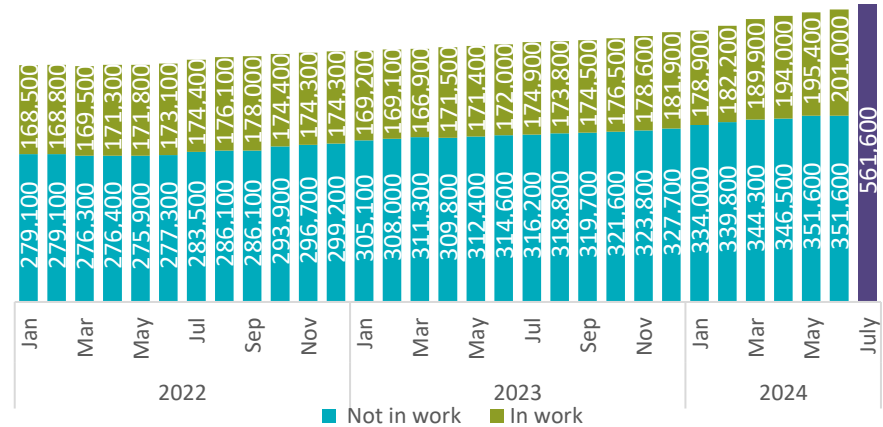
Claimant Count rate in Scotland in July 2024

Between June and July 2024, the Claimant Count rate in Scotland increased by 0.2 pp to 3.9%. Since January 2022 the Claimant Count rate has fallen from 4.7%, but it has remained at a similar level since May 2022, ranging from 3.6% to 3.9%.

Universal Credit claimants in Scotland by employment status

64% 36%

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



Redundancies³ and Company Insolvencies⁴

5,000*

Redundancies in the three months to June 2024 in Scotland

2.0*

Redundancies per 1,000 people (3.8 in the UK)

The number of people who were made redundant in Scotland decreased in the three months to June 2024 (decreased by *5,000 people or *-50.2%) compared to the three months to June 2023.

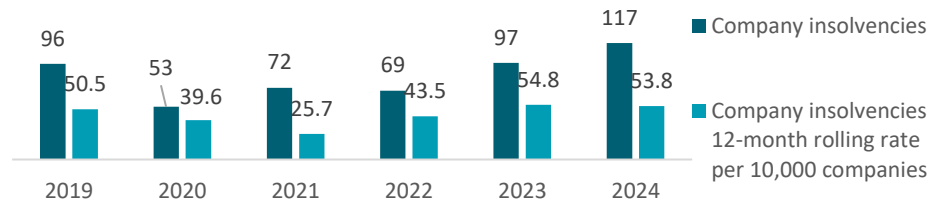
*However, please note estimates are based on a small sample and should be used with caution.

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Company insolvencies in Scotland, July 2024

Following a reduction during the pandemic, company insolvencies have since increased and are higher than pre-pandemic levels. This can be seen in monthly data showing that the number of insolvencies in July 2024 was greater than July 2019, as is the rolling 12-month rate per 10,000 companies.

Company Insolvencies (Scotland), June



¹ Department for Work and Pensions (August 2024). The breakdown of Universal credit claimants by employment status is not available for July. July data is provisional.

² ONS. Claimant Count (August 2024). *Experimental statistics*. July data is provisional.

³ ONS. Labour Force Survey (13th August 2024).

⁴ The Insolvency Service. [Monthly Insolvency Statistics, July 2024](#) (August 2024).

Job Postings in Scotland^{1,2}

At 37,700, online job postings in July decreased compared with both the previous month and the previous year.

Online job postings in July fell by 11% or 4,500 compared with June, and the three-month-rolling average also decreased (by 2% for May to July compared with April to June). The year-on-year trend shows more pronounced cooling as postings fell by one quarter (25%) or 12,400 compared with July 2023.

The highest demand in July was for occupations such as:

- Sales Related Occupations;
- Cleaners and Domestic;
- Care Workers and Home Carers;
- Sales and Retail Assistants; and
- Customer Service Occupations.

The occupations in highest demand remain similar to last month.

The following occupations had the largest change in job postings in July compared to June:

Increase:

- Sales Related Occupations (+100);
- Vehicle Technicians, Mechanics and Electricians (+100); and
- Sales and Retail Assistants (+100).

Decrease:

- Chefs (-300);
- Roundspersons and Van Salespersons (-100); and
- Other Registered Nursing Professionals (-100).

The skills in highest demand in July were:

Common skills

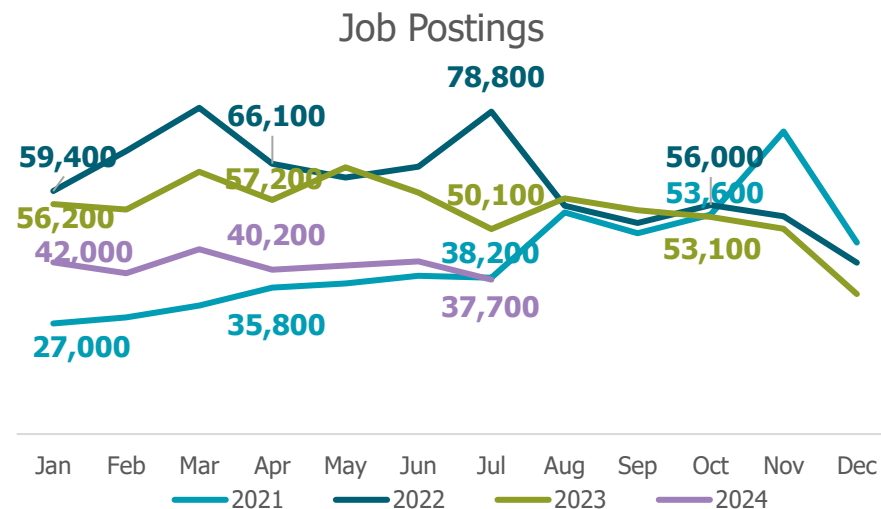
- Communication;
- Customer Service; and
- Management.

Specialised skills

- Project Management;
- Auditing; and
- Finance.

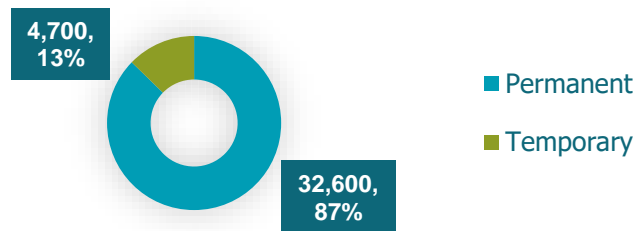
Public and private sector postings in July:

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

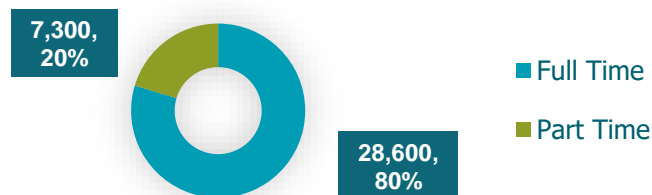


Job Postings in Scotland, July 2024

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 (August 2024). Lightcast gathers insights from online job postings. Please note July 2024 job postings are provisional.

² Numbers rounded to the nearest 100.

Spotlight: Health and the Labour Market

Health has an important role in labour market participation. Physical and mental health conditions can impact an individual's ability to seek and maintain employment. In Scotland, rates of economic inactivity due to long term ill health have been rising over recent years.

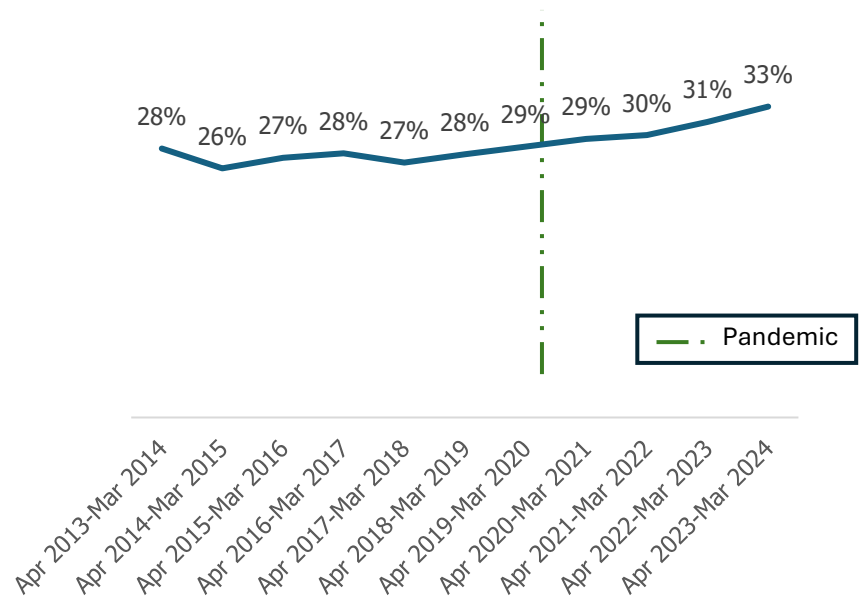
The relationship between health and employment is well established

The relationship between health and work is well recognised. On the one hand, the benefits of employment, such as better living standards, can be conducive to good health. On the other hand, ill health can inhibit labour market participation and there is an association between poor health and economic inactivity.¹ Compared to the rest of the UK, health is worse among the working age population in Scotland. The relationship between having a long term physical or mental health condition or illness and economic inactivity is also stronger in Scotland than the rest of the UK.²

There are potential links between the COVID pandemic and the rise of economic inactivity due to ill health

The number of people who are economically inactive in Scotland due to long term sickness has increased since the pandemic (Figure 1). There are several suggested causes for why ill health may be affecting labour market participation in the UK, including longer post-pandemic waiting times for treatment³ and long COVID.⁴ Research has found that in the UK, there was no observable correlation between economic inactivity due to ill health and NHS waiting lists before the pandemic, but there is now.³ This suggests that waiting lists and inactivity due to ill health could be related, with people unable to remain in or re-enter the labour market without the treatment they need.³

Figure 1: % 16-64 Economically Inactive Due to Long Term Sickness, Scotland (2014-24)



Source: ONS Labour Force Survey (August 2024)

In addition, research by the ONS in 2022 found that after developing long COVID symptoms, working-age individuals in the UK were less likely to participate in the labour market, and the relationship between long covid and inactivity was strongest for those aged 50 and above.⁴ However, assessing the impact of the pandemic is complex and further research is needed to explore other potential factors.^{2,4} From a Scottish perspective, for example, there are reports that the effects of long COVID are unlikely to be driving the rise of economic inactivity due to ill health in Scotland with mental health issues becoming increasingly important.²

¹ The Health Foundation. [Relationship Between Employment and Health](#) (Jul 2024).

² FAI. [Economic Inactivity and Ill Health in Scotland](#) (Jul 2024).

³ NIESR. [Rising Inactivity and NHS Waiting Times](#) (May 2024).

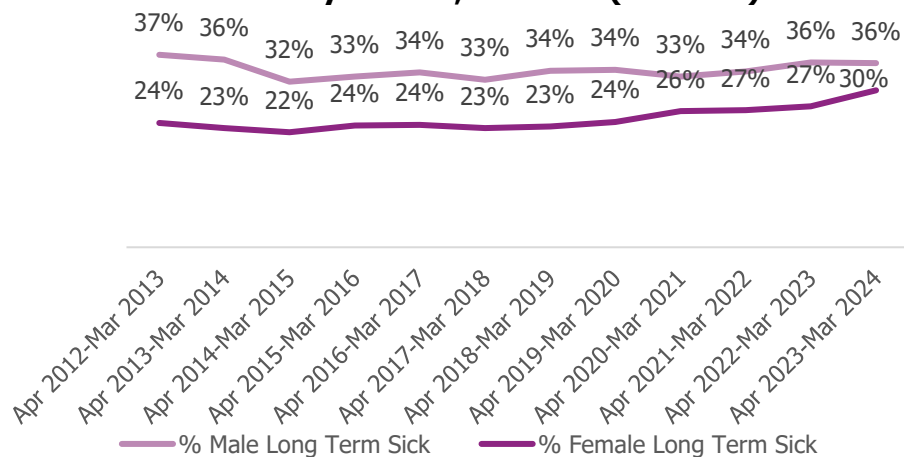
⁴ ONS. [Self-reported Long COVID and labour market outcomes, UK 2022](#) (Dec 2022).

Spotlight: Health and the Labour Market

Men and younger workers are more likely to be economically inactive due to ill health

A higher proportion of men than women report that their economic inactivity is due to long term sickness in Scotland (Figure 2). However, the percentage of economically inactive females due to long term illness has increased in recent years. It has been suggested that this could be due to the longer waiting lists for NHS treatment, as well as the nature of women’s work being more insecure and lower paid.⁵

Figure 2: % 16-64 Economically Inactive, Long Term Sickness by Gender, Scotland (2014-24)



Source: ONS Labour Force Survey (August 2024)

Rates also vary by age, and by 2022, people in the UK in their early 20s were more likely to be economically inactive due to ill health than those in their early 40s.⁶ Furthermore, in the last decade, the number of young people (18-24 year olds) who are economically inactive due to long term ill health has doubled in Scotland,⁷ which is similar to the UK trend.⁶

⁵ TUC. [Long-term sickness](#) (May 2024).

⁶ RF. [We’ve only just begun](#) (Feb 2024).

⁷ ONS. Annual Population Survey (Aug 2024).

⁸ FAI. [Economic inactivity and ill health in Scotland](#) (March 2023).

Economic inactivity due to mental ill health has increased

An increasing number of people who are not active in the workforce report mental health issues. In Scotland, the percentage of those inactive reporting mental health as their main health problem rose steadily from about 10% in 2010 to over 15% in 2022.^{8,2} The reported increase in mental health problems has also been substantial among young people in the UK. The number of workers aged 16–34 years who report that their mental health limits the type or amount of work they can do has increased by more than four times over the past decade in the UK.⁹ Mental ill health has also been found to be the most common cause of work-limiting conditions among those aged 44 years and younger.⁹

The number of individuals in receipt of health-related benefits is likely to increase over time

Research by the IFS in April 2024 showed that there are 4.2 million working age individuals receiving at least one health-related benefit in the UK. This is 10.2% of the working-age population and up from 7.9% in 2019. It is also predicted that this will continue to rise, to 12.5% of all UK working age individuals by 2028-29. Although there is evidence to suggest that health is worsening among the population, the causes of this are yet to be fully understood which makes identifying policy solutions difficult.¹⁰

Economic inactivity and ill health are creating challenges for the economy and labour market

Long term sickness as a reason for economic inactivity has been rising in recent years in both Scotland and the UK.^{2,11} The contribution of economic inactivity to labour market challenges is recognised, with for example, commentators like the IES noting the role of this, and health related issues, in creating supply challenges and weakness in the labour market, hindering economic growth.¹¹

⁹ Health Foundation. [What we know about the UK’s working age health challenge](#) (Nov 2023).

¹⁰ IFS. [Recent trends in and the outlook for health-related benefits](#) (April 2024).

¹¹ IES. [August Labour Market Statistics](#) (Aug 2024).

LMI resources



Regional Skills Assessments and Sectoral Skills Assessments

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

Recordings of our recently completed programme of accompanying webinars are also available [here](#).



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