

Economy, People and Skills

February 2025



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: Population Projections for Scotland	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.

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 recorded webinars are also available to view [here](#).

Find out more at the links above.

Signs of headwinds continue as UK economic forecasts released by the Bank of England (BoE) have halved the growth prediction for 2025, and inflation increased by more than had been expected. The latest GDP data indicates a continued slowdown, despite unexpected slight growth in the UK economy in Q4 2024. The downward pressures on growth are expected to ease from mid-2025.

The latest data continues to suggest Scotland's labour market is stable

The latest data suggests continued stability in Scotland's labour market. The claimant count stayed broadly the same this month (+1,500 or +1.4%), with the rate remaining at 3.8%. PAYE employees increased slightly from December to January (+0.2%) but decreased marginally compared with January 2024 (-0.1%). The latest Labour Force Survey (LFS) data suggests an increase in employment and unemployment and a decrease in economic inactivity over the quarter. This is a similar direction of travel to administrative sources, but the LFS suggests greater change rather than the relative stability shown in administrative sources.

Seasonal uptick in online job postings, but private sector recruitment plans subdued

Provisional job postings data for January suggests a seasonal uptick in hiring. The number of job postings in Scotland was slightly higher than the same time last year (+5% or 2,000 postings) and up 54% or 15,400 postings from December 2024, which it is important to note was a low base given the softening in hiring during 2024. Purchasing Managers' Index (PMI) data has indicated that employment in Scotland's private sector contracted again in January. This also reflects commentary that employers are reducing their hiring plans in response to planned changes to employer National Insurance Contributions (NICs).

Inflation rises by more than expected, reaching its highest level since March 2024

Inflation (CPI) increased to 3.0% in January, up from 2.5% in December. This was a greater increase than had been predicted, and was driven by factors such as air fares, food prices and the introduction of VAT on private school fees. CPI is now at its highest level in 10 months, having last been higher in March 2024. The increase has led to further speculation around the pace of cuts to the base interest rate.

Continued slowdown in economic growth and falling business confidence

New data for Q4 2024 unexpectedly showed a slight growth (0.1%) in the UK economy, following no growth in Q3. Whilst welcome, this still reflects a slowdown. The latest data also showed slowdown for Scotland with no change (0.0%) in Q4, down from 0.4% growth in Q3 and Q2 and 0.9% in Q1.

Signs of declining business sentiment have also continued this month. The latest Fraser of Allander Business Monitor found that three-quarters of surveyed businesses expect weak growth for the Scottish economy. The data also indicates declines in key metrics such as turnover, employment and sales over Q4 2024. PMI data also suggested a further decline in business activity in January, although this was a softer fall than that recorded in December.

Bank of England cuts base interest rate and reduces growth outlook for 2025

The BoE cut the base interest rate from 4.75% to 4.5% in early February. New UK economic forecasts released by the BoE alongside the rates decision suggest a more pessimistic outlook as growth expectations for 2025 were halved, and inflation is forecast to increase at a higher rate than previously expected – although growth is expected to improve from mid-2025. Further information on the BoE GDP and inflation forecasts is available on pages four and five, respectively.

UK and Scotland Economy - Gross Domestic Product (GDP)

UK GDP

The latest data for the UK economy suggests a slowdown from early 2024. Whilst GDP did grow slightly (0.1%) in Q4 2024, following no growth (0.0%) in Q3, this was down from 0.4% growth in Q2 and 0.8% in Q1.¹ The rise in GDP in Q4 was unexpected, with economists such as the BoE predicting contraction. However, the UK economy is still slowing and this is expected to continue in early 2025.²

UK growth in Q4 reflected a 0.4% expansion in December, mainly based on the services sector. Prior to December, the UK economy recorded slight growth (0.1%) in November.³ The first estimate for annual growth suggests the UK economy grew by 0.9% in 2024, up from 0.4% in 2023, but this is still relatively low growth reflecting the slowdown in the second half of the year mentioned.^{1,2}

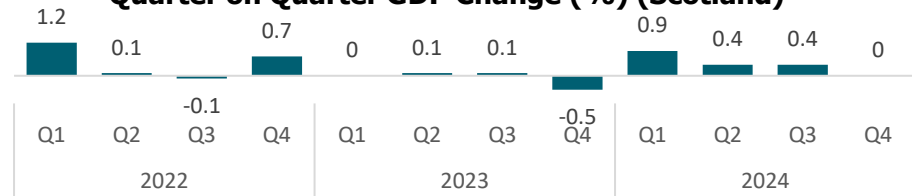
Scotland GDP

Like the UK, Scotland has seen quarterly GDP growth slow over the

course of 2024, although the slowdown intensified at a slightly later point in Scotland (Q4 rather than Q3). GDP was unchanged in Q4 (0.0%), following 0.4% growth in both Q3 and Q2, down from 0.9% in Q1.⁴ Monthly figures show that Scottish GDP grew by 0.6% in December, following revised growth of 0.2% in November.⁵

The first estimate for annual growth suggests the Scottish economy grew by 1.1% in 2024, up from 0.5% in 2023. Whilst an improvement from 2023, this suggests the slowdown later in the year led to relatively low growth in Scotland.⁴

Quarter on Quarter GDP Change (%) (Scotland)



Economic Outlook

The Bank of England (BoE) reduced the base interest rate from 4.75% to 4.5% in early February. This was the third quarter point reduction since August. New UK forecasts were released alongside the decision. These outlined a more pessimistic outlook, as growth forecasts have been cut and inflation is expected to increase to a higher peak in 2025.⁶

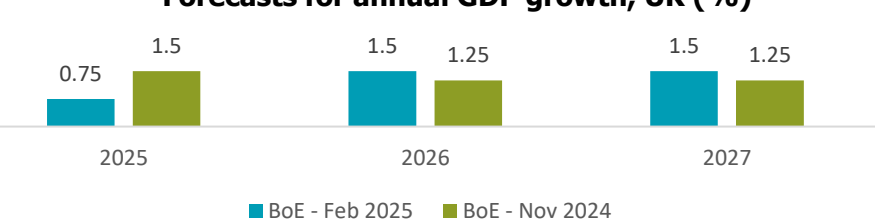
The latest forecasts from the BoE have reduced the UK growth outlook for 2025 with GDP now forecast to increase by just 0.75%, down from 1.5% in their November forecast. There has been a slight increase in the forecasts for 2026 and 2027, up to 1.5% compared with 1.25% in November.

The downgrading of the 2025 forecast reflects recent falls in UK GDP (with no growth recorded in Q3 2024 followed by a very slight increase (0.1%) in Q4 2024). The BoE expect growth

to pick up from mid-2025, following only marginal growth (0.1%) in Q1 2025.

The BoE are now also predicting a sharper increase in inflation in 2025, with CPI predicted to peak at 3.7% in Q3 2025, before gradually falling to the 2% target in Q4 2027 (see page five for further details). Unemployment is also forecast to increase more than previously predicted, rising to 4.8% in 2027.

Forecasts for annual GDP growth, UK (%)



¹ ONS. [GDP first quarterly estimate, UK: October to December 2024](#) (February 2025).

² FT. [UK economy unexpectedly grew by 0.1% in fourth quarter](#) (February 2025).

³ ONS. [GDP monthly estimate, UK: December 2024](#) (February 2025).

⁴ Scottish Government. [GDP First Quarterly Estimate: 2024 Q4](#) (February 2025).

⁵ Scottish Government. [GDP Monthly Estimate: December 2024](#) (February 2025).

⁶ BoE. [Monetary Policy Report - February 2025](#) (February 2025).

Inflation and the Cost of Living



Businesses report falling confidence in Scottish economy

The latest Fraser of Allander Institute (FAI) Business Monitor¹ found that **confidence is falling amongst Scottish businesses**. Three-quarters of surveyed businesses expected weak growth for the Scottish economy, an increase of nearly 18pp compared with the previous quarter.

Key metrics also indicate declining business activity. The net balance of businesses reporting an increase over the quarter decreased and fell into negative (or further into) negative territory across all activities (including employment, turnover and sales).



Report highlights ongoing impacts from cost-of-living crisis

A new report by the Scottish Government² has highlighted **the ongoing impact of the cost-of-living crisis**. The report shows the unequal impact of this and how it has particularly affected groups such as those with low incomes, disabled people, women and people from minority ethnic groups.

These groups were also particularly affected by the impact of the COVID-19 pandemic, leading to a cumulative effect.

Ongoing impacts from the cost-of-living crisis include greater levels of debt, higher levels of inequality, strained public services and negative physical and mental affects.



Inflation increases to 10-month high

Inflation (CPI) in the UK increased to 3.0% in January 2025, up from 2.5% in December.³ This was slightly higher than had been expected with the Reuters poll of economists predicting 2.8%.⁴ It leaves **CPI at its highest level since March 2024**.³

The main drivers of the rise include air fares, food and non-alcoholic beverages and the introduction of VAT on private school fees.³

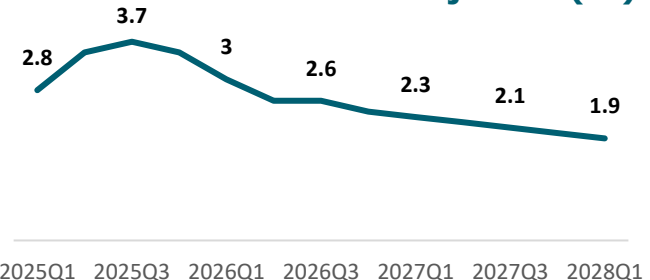
A more positive sign is that **services inflation, a key measure for domestic inflation, rose by less than had been predicted**.⁴

Inflation forecast

New UK inflation forecasts were released by the Bank of England (BoE) in February.⁵ As with their previous forecasts, inflation is predicted to temporarily increase, before then returning to target. However, inflation is now expected to increase at a sharper rate, rising to 3.7% in Q3 2025, compared with 2.8% in the November forecast. Inflation is expected to return to the 2% target in Q4 2027, slightly later than had previously been predicted (Q2 2027).

The steeper rise in inflation is driven by expected increases in energy prices. However, the BoE are expecting that domestic inflation will continue to unwind despite the temporary bump in the headline rate from energy prices. The BoE also note a number of risks to the forecast arising from the uncertain international context, including potential global trade tariffs and instability in the Middle East.

BoE – Modal CPI Inflation Projection (%)



¹ FAI. [Scottish Business Monitor Q4 2024](#) (February 2025).

² Scottish Government. [Understanding the Cost of Living Crisis in Scotland](#) (February 2025).

³ ONS. [CPI, UK: January 2025](#) (February 2025).

⁴ FT. [UK inflation rises to 10-month high of 3% in January](#) (February 2025).

⁵ BoE. [Monetary Policy Report - February 2025](#) (February 2025).

The ONS published revised LFS estimates from 2011 for the UK (except for youth unemployment, which is from 2019) and from 2019 for Scotland in December 2024. The revised data incorporates new population estimates, including the Scottish 2022 Census, helping to make LFS estimates more representative. Scotland shows the biggest revisions due to population changes, but rates remain similar. The revisions cause a step change discontinuity between revised and un-revised data, and therefore the longer-term trend graph indicates where data is revised with a [r] in the data label.

Employment Rate (16-64)¹

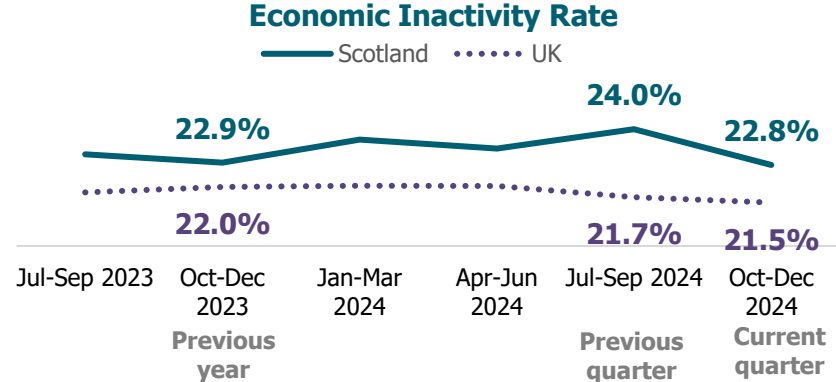
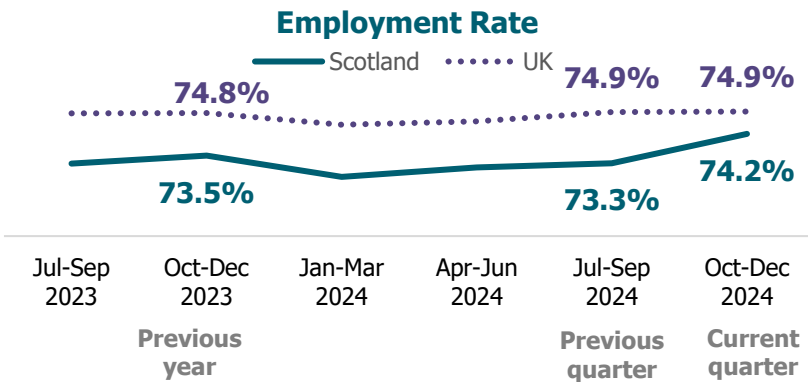
➤ **Scotland's employment rate was estimated to be 74.2%**

- The latest data suggests Scotland's employment rate was **74.2%** in the period covering October to December 2024. The rate is estimated to have increased by 0.9 pp compared with the previous quarter.*

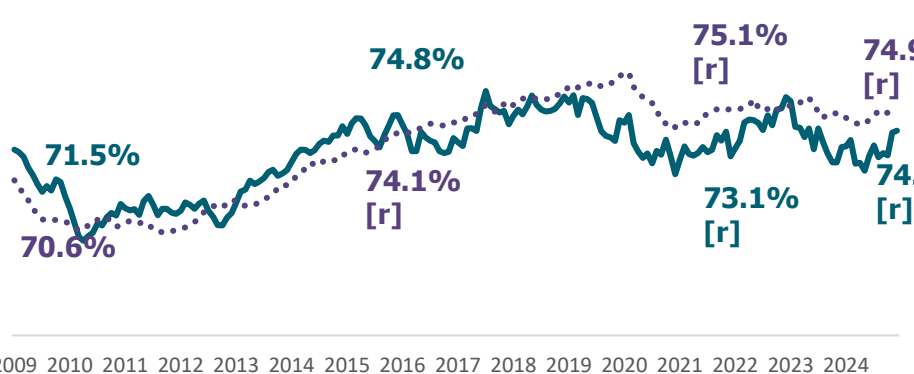
Economic Inactivity (16-64)¹

➤ **The 16-64 Scottish economic inactivity rate was estimated to be 22.8%**

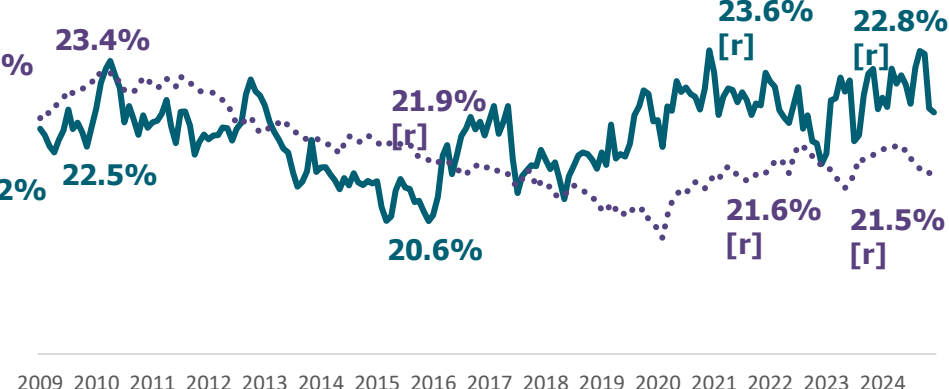
- The latest data suggests that Scotland's economic inactivity rate was **22.8%** in October to December 2024. The economic inactivity rate was 1.2 pp lower than last quarter.*



Employment Rate: Longer-term trend



Economic Inactivity Rate: Longer-term trend



¹ ONS, Labour Force Survey (18th February 2025).

*Figures may not sum due to rounding.

The ONS published revised LFS estimates from 2011 for the UK (except for youth unemployment, which is from 2019) and from 2019 for Scotland in December 2024. The revised data incorporates new population estimates, including the Scottish 2022 Census, helping to make LFS estimates more representative. Scotland shows the biggest revisions due to population changes, but rates remain similar. The revisions cause a step change discontinuity between revised and un-revised data, and therefore the longer-term trend graph indicates where data is revised with a [r] in the data label.

Unemployment (16+)¹

➤ Unemployment in Scotland was estimated to be **3.8%**

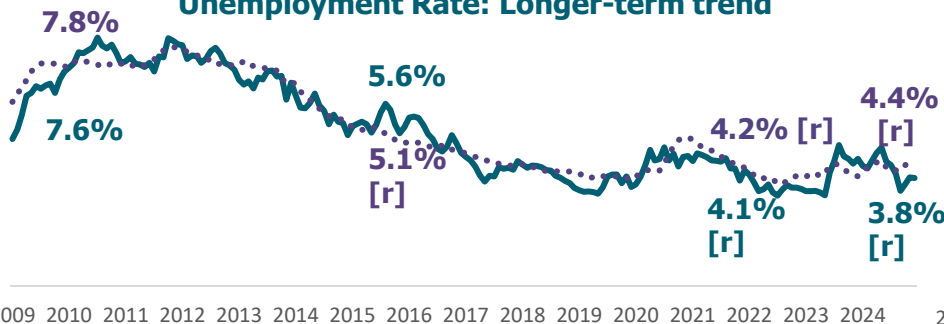
- The latest data suggests Scotland's unemployment rate was **3.8%** in the period covering October to December 2024. This is an increase compared with the last quarter (0.5 pp change).*

Unemployment Rate



Jul-Sep 2023	Oct-Dec 2023	Jan-Mar 2024	Apr-Jun 2024	Jul-Sep 2024	Oct-Dec 2024
	Previous year			Previous quarter	Current quarter

Unemployment Rate: Longer-term trend



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

➤ 16-24 youth unemployment in Scotland was estimated to be **10.4%**

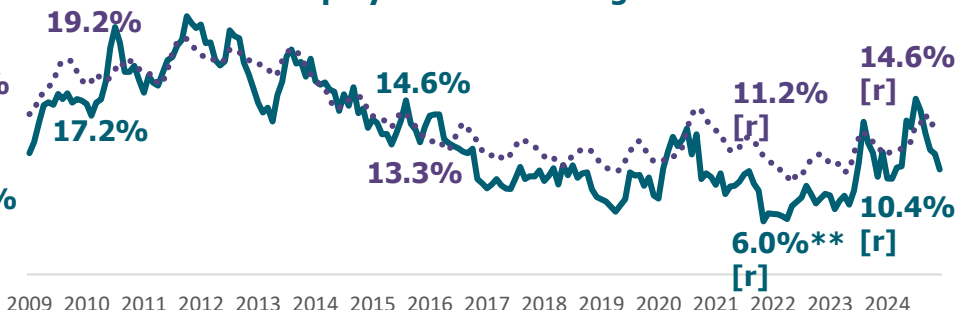
- The latest data estimates Scotland's youth unemployment rate was **10.4%** in the period covering October to December 2024.* This is lower than the same period of the previous year (1.7 pp decrease), but it is important to note the declassification of LFS data and the small sample sizes that youth unemployment is based on.**

Youth Unemployment Rate



Jul-Sep 2023	Oct-Dec 2023	Jan-Mar 2024	Apr-Jun 2024	Jul-Sep 2024	Oct-Dec 2024
	Previous year				Current quarter

Youth Unemployment Rate: Longer-term trend



¹ ONS, Labour Force Survey (18th February 2025). ² Please note: Youth Unemployment should only be compared to the previous year.

*Figures may not sum due to rounding. **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 English, Welsh and Scottish LFS boosts, is the preferred source for labour market indicators by region and age (although it too has been impacted by smaller sample sizes). Please find analysis of the Scottish youth labour market using APS data [here](#).

Universal Credit¹ and Claimant Count Rate²

596,100

people claiming Universal Credit in Scotland in January 2025

Between December 2024 and January 2025, 8,500 additional people in Scotland claimed Universal Credit, an increase of 1.4%. 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 2023 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.

3.8%

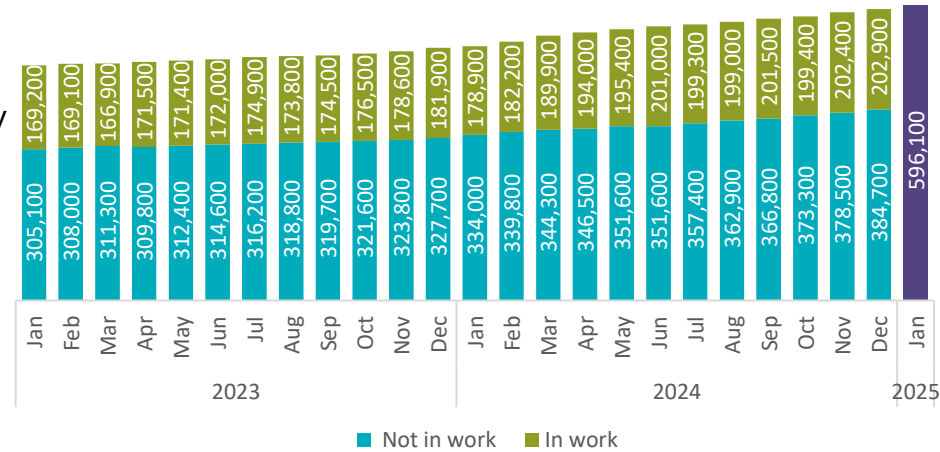
Claimant Count rate in Scotland in January 2025 (110,600 claimants)

Between December and January the Claimant Count stayed broadly the same, where despite a slight increase in claimants (+1,500 or +1.4%), the rate remained at 3.8% due to rounding. The Claimant Count rate has fallen from 4.7% in January 2022, but there was a slight uptick earlier this year, which has since started to reduce despite a marginal increase this month.

Universal Credit claimants in Scotland by employment status



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



Redundancies³ and Company Insolvencies⁴

5,000*

Redundancies in the three months to December 2024 in Scotland

2.3*

Redundancies per 1,000 people (3.9 in the UK)

Scotland's latest redundancy figure cannot be compared with the previous year as data for October to December last year was suppressed on disclosure grounds. For the UK as a whole, redundancies remained broadly similar to the same quarter in the previous year.

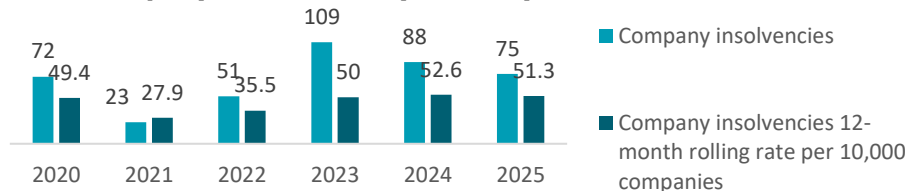
*Please note estimates are based on a small sample and should be used with caution.

75

Company insolvencies in Scotland, January 2025

Following a reduction during the pandemic, company insolvencies have since increased. In general, the trend has shown that recent company insolvency levels are above those seen pre-pandemic. This is indicated for January 2025 as the number of insolvencies and 12-month rolling rate of insolvencies was slightly higher than in January 2020.

Company Insolvencies (Scotland), December



¹ Department for Work and Pensions (February 2025). The breakdown of Universal Credit claimants by employment status is not available for January. January data is provisional. Figures for 'not in work' could include both those unemployed or economically inactive.

² ONS. Claimant Count (February 2025). *Experimental statistics*. January data is provisional.

³ ONS. Labour Force Survey (18th February 2025).

⁴ The Insolvency Service. [Monthly Insolvency Statistics, January 2025](#) (February 2025).

Job Postings in Scotland^{1,2}

Reflecting an expected seasonal uptick, job postings increased in January to 44,000. The increase compared with December was expected due to seasonal fluctuations, but postings also increased slightly compared with the previous year. Online job postings in January increased by 54% or 15,400 postings compared with December (although this was from a particularly low base of postings in December), and by 5% or 2,000 postings compared with January 2024. The three-month-rolling average also increased slightly (by 3%) for November to January compared with October to December.

The highest demand in January was for occupations such as:

- Sales Related Occupations;
- Care Workers and Home Carers;
- Cleaners and Domestic;
- Customer Service Occupations; and
- Managers and Directors in Retail and Wholesale.

The occupations in highest demand remain similar to last month.

The following occupations had the largest change in job postings in January compared with December:

Increase:

- Sales Related Occupations (+600);
- Care Workers and Home Carers (+500); and
- Cleaners and Domestic (+400).

The skills in highest demand in January were:

Common skills

- Communication;
- Management; and
- Customer Service.

Specialised skills

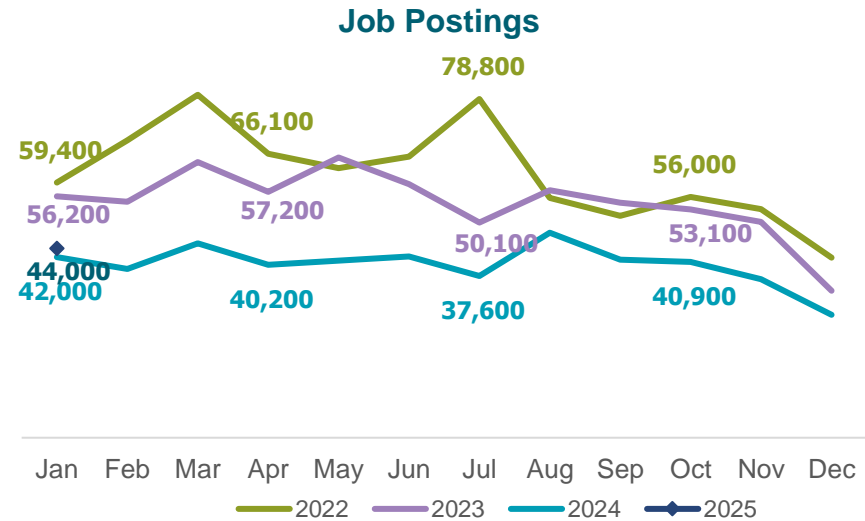
- Project Management;
- Finance; and
- Auditing.

Public and private sector postings in January:

- In January, the top 10 organisations with the most job postings were evenly split between public and private sector organisations.

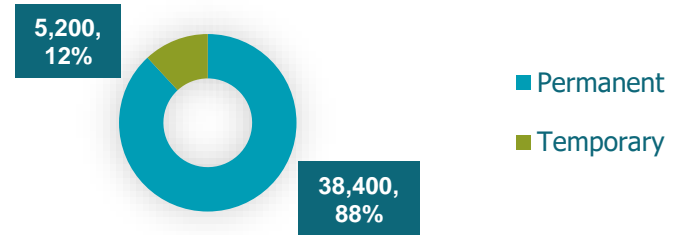
¹ Lightcast (February 2025). Lightcast gathers insights from online job postings. Please note January 2025 job postings are provisional.

² Numbers rounded to the nearest 100.

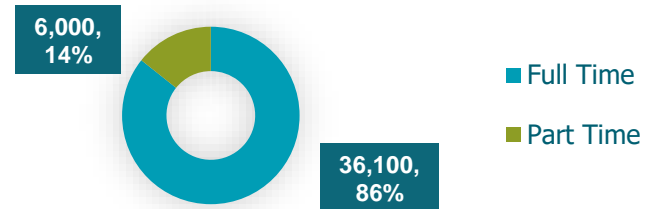


Job Postings in Scotland, January 2025

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.

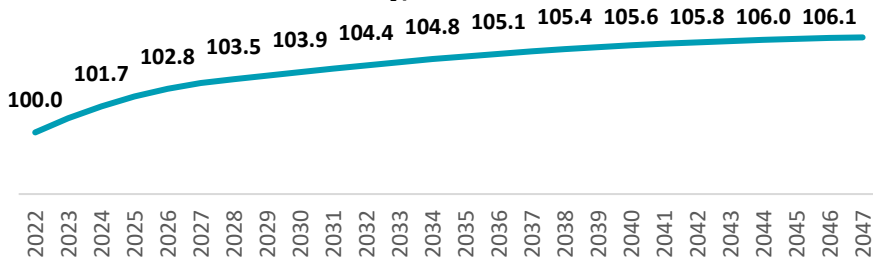
Spotlight: Population Projections for Scotland

National Records of Scotland released new population projections for Scotland in late January, covering a 25-year period from 2022 to 2047.¹ The projections predict greater population growth than those released previously ([January 2023](#)) due to higher levels of migration. However, population growth is expected to slow from mid-2027 as net migration levels fall. Scotland is facing similar population challenges to other high-income countries including an ageing population and falling fertility rates.

Scotland’s population is predicted to grow quite rapidly from mid-2022 to mid-2027, but growth then slows

Population growth is predicted to be quite rapid from mid-2022 to mid-2027, the first five years of the projection, with the population growing by 3.2% or an average of 0.6% each year (Figure 1). In absolute terms Scotland’s population is projected to grow from 5.4m in mid-2022 to 5.6m in mid-2027. Following this, growth is expected to slow each year, with annual growth no higher than 0.2%. As a result the population is expected to increase by just 160,800 over the 20 years from mid-2027 to mid-2047 (5.6m to 5.8m).

Figure 1: Scottish Population Growth (Index*, mid-2022=100), mid-2022 to mid-2047



Source: National Records of Scotland (NRS). Chart uses 2022-based projections (Jan 2025). Note presentation of the data may differ to that from the NRS.

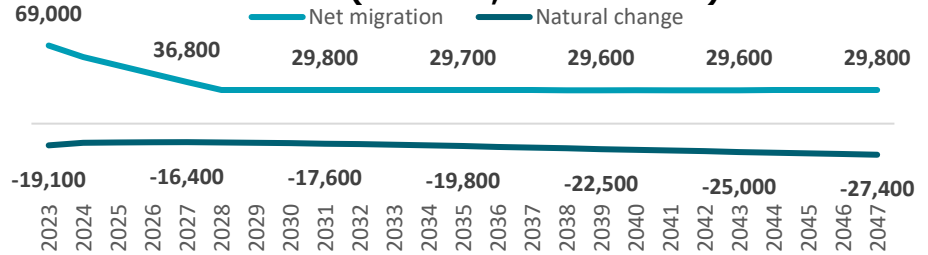
*An Index shows the change over time. This graph displays the data for Scotland’s projected population converted to a reference value. This shows the relative change over time. Over 100 indicates where there has been an increase compared to the base or reference year (in this case mid-2022).

Inward migration is expected to be the only driver of population growth in Scotland

Population growth is expected to slow after mid-2027 in Scotland as from this point net migration is projected to stabilise at around 30,000 each year, down from a peak in the projection period of nearly 70,000 from mid-2022 to mid-2023. As noted in the [mid-2023 population estimates](#), net migration was at a record high in the year to mid-2023 (although the more recent 2022-based projections give an even higher figure than the mid-2023 population estimates).

The projected fall in net migration is key. This is expected to be the only driver of population growth across the projection period as in every year, natural change (births minus deaths) is forecast to be negative (this has been negative since 2015). In addition to stabilising net migration, natural change is also expected to become more negative as the gap between deaths and births grows. Longer term projections suggest that natural change could outpace net migration from mid-2051, meaning Scotland’s population could start to fall.

Figure 2: Natural change and net migration, year to 30th June (Scotland, 2023 to 2047)



Source: NRS. Chart uses 2022-based projections (Jan 2025). Note presentation of the data may differ to that from the NRS.

Compared with the UK average, Scotland is projected to have slower population growth as a result of natural change

From mid-2022 to mid-2047 Scotland’s population is projected to grow by 6.2%. This is less than half than the UK rate (13.2%) and is

¹ Unless otherwise specified all data in this spotlight is sourced from: NRS. [Projected Population of Scotland: 2022-based](#) (January 2025).

Spotlight: Population projections for Scotland

lower than England (14.5%) and Wales (10.3%), though higher than Northern Ireland (1.1%). The key driver of lower population change in Scotland is natural change. According to population estimates, all parts of the UK are expected to have negative natural change from mid-2022 to mid-2047, but at -9.5% Scotland has the most negative natural change of all countries in the UK (UK average of -1.6%). Conversely, at 15.7%, Scotland has proportionally the second highest level of net migration, above the UK average of 14.8%. It should be considered, however, that this includes net migration from other parts of the UK, as well as internationally, and does not take account of age profile.

Pension age population expected to see the highest level of growth, whilst the number of children is projected to decline

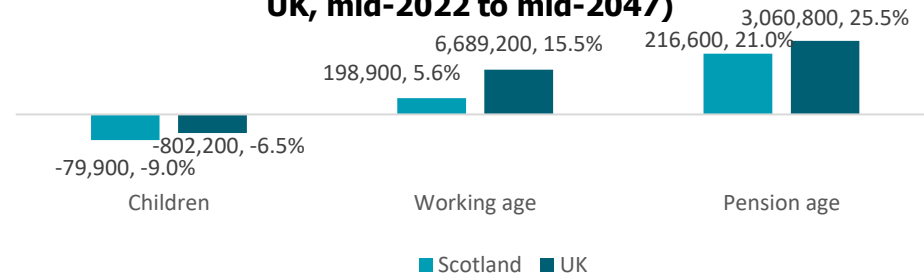
From a labour market perspective, the number of people of working age, compared with dependants (children and those over state pension age) is particularly important. This is because the number of working people is a key factor in the supply of labour, that is people who can fill jobs, whilst the number of dependants relative to people of working age impacts the dependency ratio which affects issues such as tax income relative to spending.

The working age (16 to state pension age) population is expected to increase by 5.6% or just under 200,000. The number of children in Scotland's population is expected to decrease by nearly 80,000 or 9.0% over the projection period (Figure 3). Conversely, the number of people of and above state pension age is expected to increase, rising by 21.0% or nearly 220,000. These changes reflect Scotland's low fertility rate, the impact of ageing within the baby boom generations, and higher life expectancy.

Compared to the UK overall, the fall in Scotland's child population of 9.0% is greater than the UK average (6.5% decrease), the increase

in the working age population is lower (UK average 15.5%) and the increase in the pension age population is lower (UK average 25.5%).

Figure 3: Population Change by age group (Scotland and UK, mid-2022 to mid-2047)



Source: NRS

Scotland facing similar population challenges to other countries, but labour market impact needs to be considered

Overall, the challenges that Scotland is facing are not unique, with many other high-income countries (and indeed countries of all income levels) grappling with falling fertility rates.^{2,3} Ageing populations are a particular issue for higher income countries, but this is expected to become a global trend in the coming decades.²

Whilst these trends extend far beyond Scotland, their impact on the Scottish labour market remains an important consideration. As population growth slows and the population ages this could create challenges with labour supply, and wider implications relating to tax receipts and spending (although the falling Scottish child population does help to mitigate the impact on the dependency ratio). Reliance on migration for population growth, and to support the working age population in particular, also creates potential challenges, likely to impact specific occupations. This dependence also means that if migration patterns were to change, issues around population growth and an ageing population could be further exacerbated.

² UN: Department of Economic and Social Affairs. [World Population Prospects 2024](#) (July 2024).

³ FT. [The baby gap: why governments can't pay their way to higher birth rates](#) (January 2025).

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 are also available to view [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