



Skills
Development
Scotland

Economy, People and Skills

September 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.



Following the first increase since December 2023 in July, inflation remained at 2.2% in August, slightly above the 2% target. Scotland recorded GDP growth in Quarter 1 and 2 of 2024. Reflecting this, the latest forecasts for the Scottish economy are more optimistic, but headwinds remain.

LFS data shows increased employment, but other sources cast doubt on this growth

LFS data suggests that Scotland's employment rate increased on the previous quarter, whilst unemployment and economic inactivity fell. However, the LFS continues to face challenges with the robustness of its data. As a result, it is declassified from Official Statistics status, may be particularly prone to volatility, and should be used with caution and in conjunction with other sources.

Reflecting this, other sources suggest different trends. Monthly PAYE data suggests a small decline (6,000) in the number of employees in Scotland in August, while Claimant Count, which measures the number of people claiming benefits principally due to being unemployed, has recorded a small increase (2,100).

Online job postings increased month-on-month but declined compared with the previous year

In Scotland, there was a 27% increase in job postings in August compared to July, which equates to 10,000 additional postings. While this is a considerable uptick, the overall cooling trend remains as postings fell by 17% (10,000 postings) compared with August 2023. The increase in August compared with July most likely reflects a seasonal trend.

Inflation holds steady at slightly above 2% target
Headline inflation (CPI) remained at 2.2% in August 2024, although there were increases in core and services inflation. CPI remained slightly above the 2% target but is significantly lower than rates seen in 2022 and 2023. The impact of the overall fall in inflation is reflected in survey data showing that the proportion of Scottish businesses reporting month-on-month price increases has fallen to its lowest level since data began in March 2022.

GDP continues to grow in 2024

New GDP figures for Scotland show that the economy grew by 0.6% in Q2 2024, following 0.5% growth in Q1, suggesting that, in line with the UK, the economic outlook is improving. Purchasing Managers Index data for August also suggests sustained growth – private sector activity is estimated to have increased for the eighth month in a row. However, the Federation of Small Business Index suggests continuing challenges as sentiment returned to negative territory in Q2 2024.

Growing optimism in economic forecasts for Scotland

The Ernst & Young (EY) Item Club released economic forecasts for Scotland in August. These take a more optimistic outlook than previously, reflecting the growth in GDP and fall in inflation seen in early 2024. Their annual Gross Value Added (GVA) growth forecasts are 0.9% in 2024 (up from 0.4% in their May forecast), increasing to 1.7% in 2025 and 1.6% in 2026. UK growth is predicted to be slightly higher at 1.1% in 2024 and 2.0% in 2025 and 2026.

Interest rates held in September

The Bank of England Monetary Policy Committee met on 19th September. Following the first rates cut in four years in August, they held the base interest rate at 5%.

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

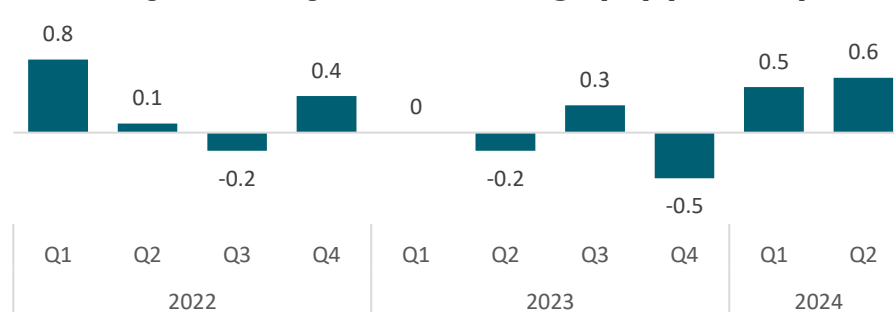
The latest monthly UK data shows no growth (0.0%) in July, after also showing no growth in June.³ This consecutive lack of growth coupled with growth having been forecast for July, has led to some concern that the economy may be slowing.⁴ It is too soon to be certain of this trend however as monthly estimates are volatile, and the UK economy did expand over the three-month period to July.³

Scotland GDP

Like the UK, Scotland has returned to growth in 2024, with the

latest figures showing the economy expanded by 0.6% in Q2 and 0.5% in Q1. This followed contraction of 0.5% in Q4 2023, although unlike the UK Scotland did not enter recession.⁵ As with the UK, GDP was broadly flat in 2023 with growth of just 0.1%.⁵ The latest monthly data for Scotland is for June 2024 which estimates the economy contracted by 0.3%, following revised growth of 0.2% in May.⁶

Quarter on Quarter GDP Change (%) (Scotland)



Economic Outlook⁷

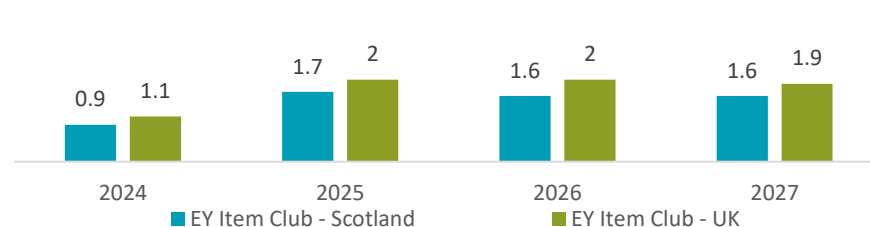
Economic forecasts for Scotland were released by the Ernst & Young (EY) Item Club in August. Reflecting GDP growth and falling inflation in early 2024, the forecasts predict an improved outlook for Scotland’s economy relative to forecasts earlier this year.

Data from early 2024 suggests that the Scottish economy performed better than anticipated. Growth was recorded in Q1 and Q2 and inflation has fallen substantially overall.

Reflecting these developments, EY Item Club has improved its estimate for 2024 to 0.9% growth in Gross Value Added (GVA), an increase of 0.5 pp compared with their May forecast. In particular, the forecast predicts an uptick in consumer spending as household budgets ease due to high wage growth and receding inflation.

Conversely, tight monetary policy is expected to continue to restrict growth. Looking ahead, GVA growth is predicted at 1.7% in 2025 and 1.6% in 2026 and 2027. As shown below, forecasts for Scotland are slightly lower than those for the UK as a whole. Looking at unemployment, their forecast predicts this will peak at 4.5% in 2024, gradually falling to 4.0% in 2027, reflecting wider growth in the economy.

Forecasts for annual GVA 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: July 2024](#) (September 2024).

⁴ FT. [UK economy stagnated for second consecutive month in July](#) (September 2024).

⁵ Scottish Government. [GDP First Quarterly Estimate: 2024 Q2](#) (August 2024).

⁶ Scottish Government. [GDP Monthly Estimate: June 2024](#) (August 2024).

⁷ EY Item Club. [Scottish Summer Forecast](#) (August 2024).

Inflation and the Cost of Living



Small business sentiment returns to negative territory, but revenue improves

The Federation of Small Business Index in Scotland for Q2 2024 found **sentiment has returned to negative territory (-7.0), following the first positive reading in a year in Q1**. This negative reading means that more businesses expect their performance to worsen over the quarter than expect it to improve.¹

More positively, the Index also found that the proportion of businesses **reporting an increase in revenue equalled the proportion reporting a decrease**, giving a net balance of 0.0%. This is the **first non-negative reading in over a year**.



Cost of living concerns easing, but challenges remain

The Understanding Scotland survey from August 2024 found that the **proportion of respondents reporting cost of living as a priority issue fell** from around half (48%) in August 2023 to around a third (36%) in August 2024. There was also a 12 pp fall in the proportion reporting that general economic conditions were worse than a year ago.²

However, **challenges remain, particularly for households with children**. One in three households with children report that they could not afford an emergency £100 payment without borrowing, compared with a quarter of all respondents.²



Inflation holds steady at slightly above 2% target

Inflation (CPI) in the UK remained at 2.2% in August 2024, the same as in July.

Fluctuations across different categories offset each other, with air fares seeing a significant rise in prices, and hotels and restaurants the biggest fall in prices.³

Whilst the headline rate remained the same, services and core inflation (key measures for the Bank of England) increased. Services inflation was 5.6% in August, up from 5.2% in July, whilst core inflation increased from 3.3% to 3.6%.

Inflation forecast

The latest UK inflation forecasts were released by the BoE in early August.⁴ 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 FSB Scotland. [Small Business Index: Q2 2024](#) (August 2024).

² Diffley Partnership and Charlotte Street Partners. [Understanding Scotland Economy Tracker – August 2024](#) (August 2024).

³ ONS. [CPI, UK: August 2024](#) (September 2024).

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

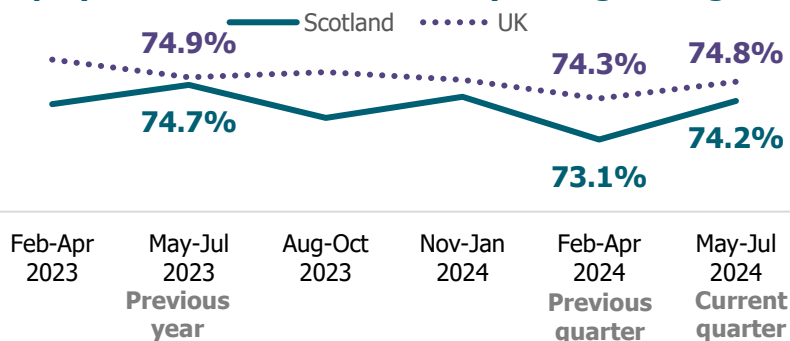
The LFS returned in February, and the ONS have published new, reweighted estimates from 2011 for the UK and from 2022 for Scotland. This reweighting incorporates UK population changes, helping to make LFS estimates more representative. Reweighted and non-reweighted data is not comparable and therefore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

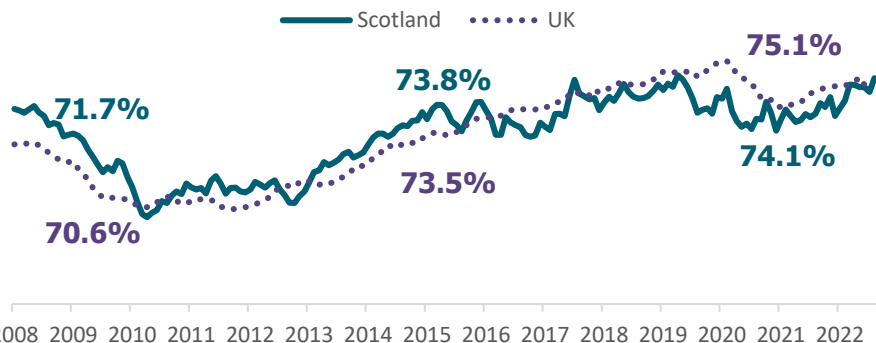
➤ **Scotland's employment rate was estimated to be 74.2%**

- The latest data suggests Scotland's employment rate was **74.2%** in the period covering May to July 2024. Employment is estimated to have increased by 1.2 pp compared with the previous quarter.*

Employment Rate: 2023 onwards (re-weighted figures)



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

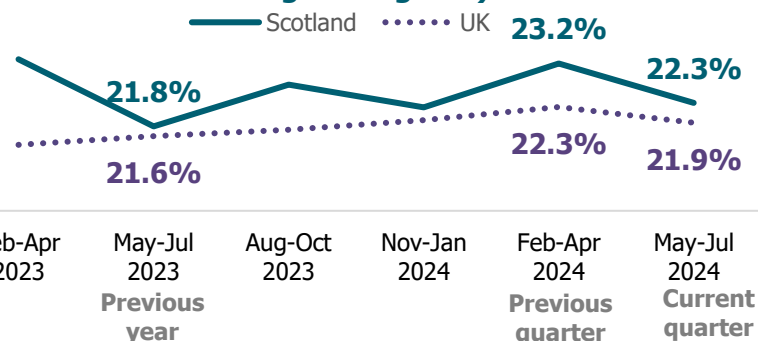


Economic Inactivity (16-64)¹

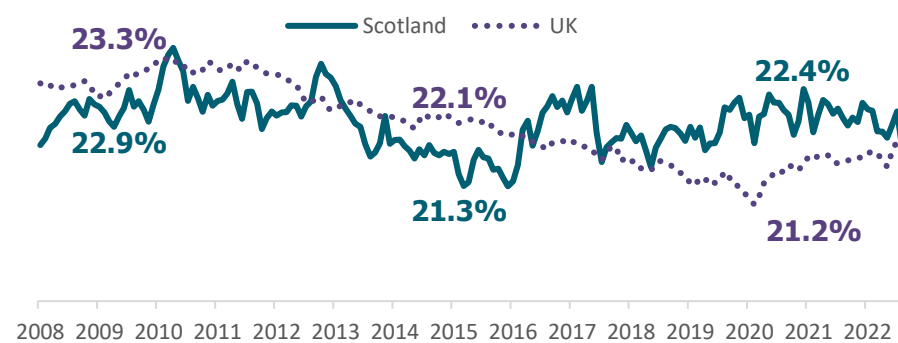
➤ **The 16-64 Scottish economic inactivity rate was estimated to be 22.3%**

- The latest data suggests that Scotland's economic inactivity rate was **22.3%** in May to July 2024. The economic inactivity rate was 0.8 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 (10th September 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

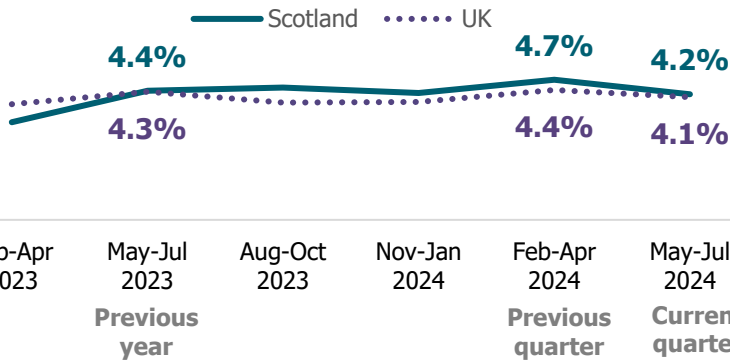
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Unemployment (16+)¹

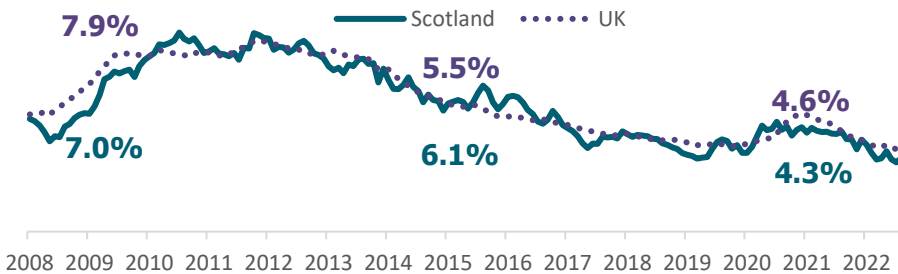
➤ **Unemployment in Scotland was estimated to be 4.2%**

- The latest data suggests Scotland's unemployment rate was **4.2%** in the period covering May to July 2024. This is a decrease compared with the last quarter (-0.5 pp change).*

Unemployment Rate: 2023 onwards (re-weighted figures)



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

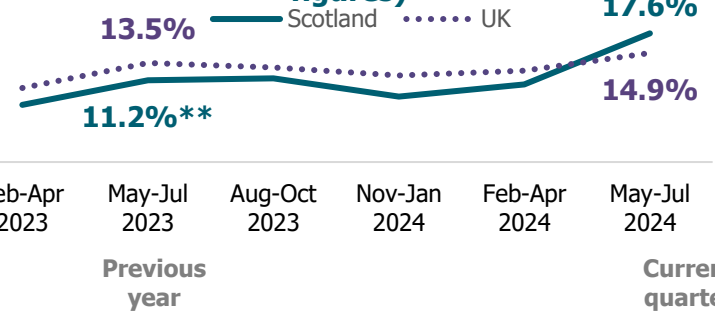


Youth Unemployment (16-24)^{1,2}

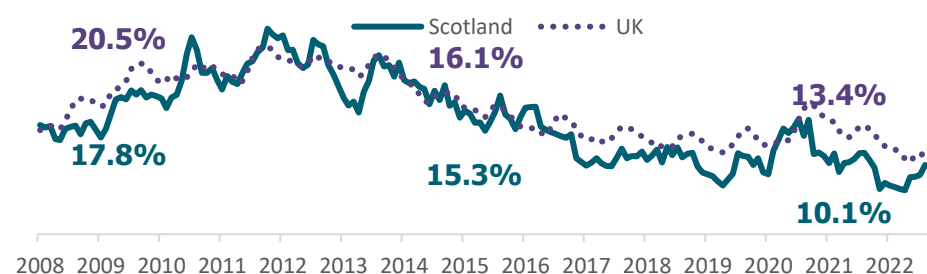
➤ **16-24 youth unemployment in Scotland was estimated to be 17.6%**

- The latest data estimates Scotland's youth unemployment rate was **17.6%** in the period covering May to July 2024.* This is higher than the same period of the previous year (6.4 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 (10th September 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

567,400

people claiming Universal Credit in Scotland in August 2024

Between July and August 2024, 10,700 additional people in Scotland claimed Universal Credit, an increase of 1.9%. 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%. Please see this month's spotlight for further analysis of the recent increase in people claiming Universal Credit.

4.0%

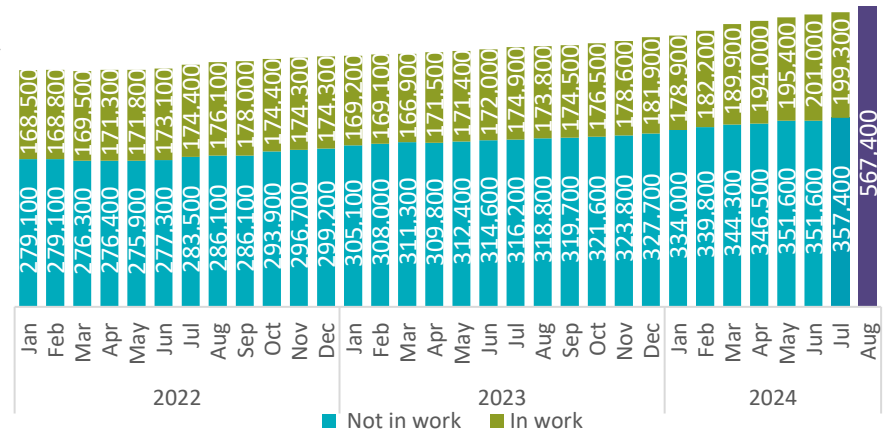
Claimant Count rate in Scotland in August 2024

Between July and August 2024, the Claimant Count rate in Scotland increased by 0.1 pp 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

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 July 2024 in Scotland

2.1*

Redundancies per 1,000 people (2.9 in the UK)

The number of people who were made redundant in Scotland decreased in the three months to July 2024 (decreased by *2,000 people or *-33.6%) compared to the three months to July 2023.

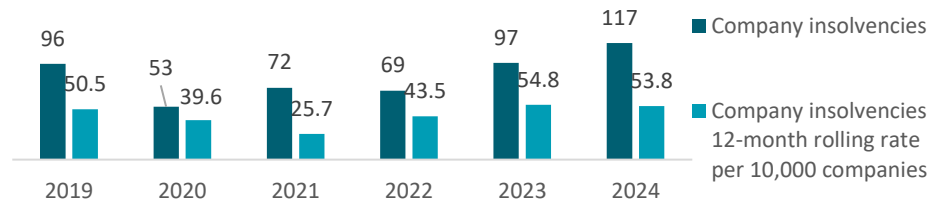
*However, please note estimates are based on a small sample and should be used with caution.

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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 (September 2024). The breakdown of Universal Credit claimants by employment status is not available for August. August data is provisional. Figures for 'not in work' could include both those unemployed or economically inactive.

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

³ ONS. Labour Force Survey (10th September 2024).

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

Job Postings in Scotland^{1,2}

At 47,600, online job postings in August increased compared with July, but decreased compared with the previous year.

Online job postings in August increased by 27% or 10,000 compared with July, and the three-month-rolling average also increased (by 5% for June to August compared with May to July). However, signs of overall cooling remained as postings fell by 17% or 10,000 compared with the previous year (August 2023). Data from previous years also suggests the increase in August could be a seasonal pattern as postings tend to increase in August compared with July.

The highest demand in August was for occupations such as:

- Sales Related Occupations;
- Cleaners and Domestic;
- Care Workers and Home Carers;
- Sales and Retail Assistants; and
- Kitchen and Catering Assistants.

The occupations in highest demand remain similar to last month.

The following occupations had the largest increase in job postings in August compared with July:

- Programmers and Software Development Professionals (+300);
- Cleaners and Domestic (+300); and
- Care Workers and Home Carers (+300).

The skills in highest demand in August were:

Common skills

- Communication;
- Customer Service; and
- Management.

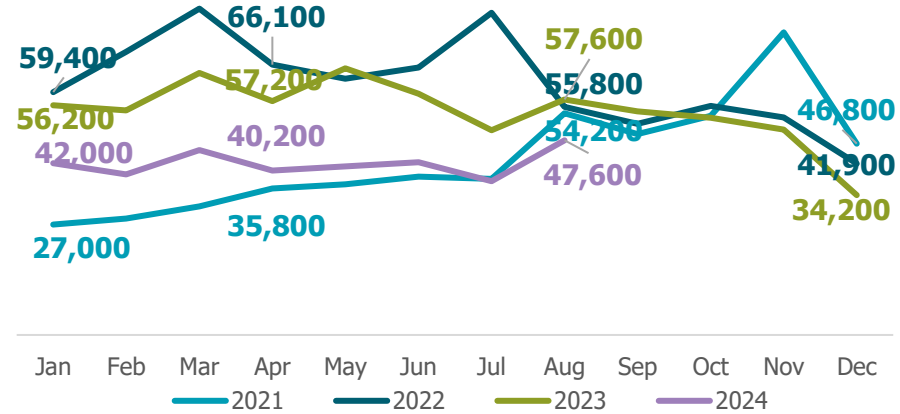
Specialised skills

- Project Management;
- Finance; and
- Auditing.

Public and private sector postings in August:

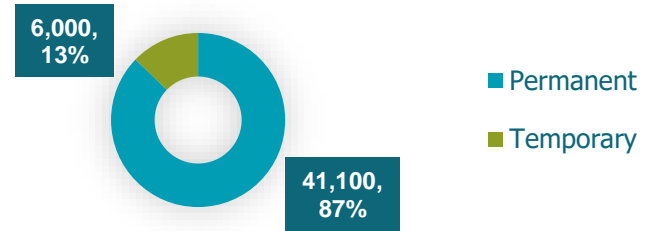
- In August, the top 10 organisations with the most job postings were evenly split between the private and public sectors.

Job Postings

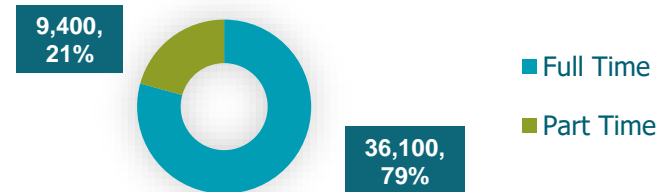


Job Postings in Scotland, August 2024

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

² Numbers rounded to the nearest 100.

Spotlight: Universal Credit

Each month, the latest Universal Credit data is included in *Economy, People and Skills* (see page 8). Since mid-2022, there has been an increase in people claiming Universal Credit and the spotlight this month explores this trend. First introduced in 2013, Universal Credit aimed to streamline the benefits system by combining six legacy benefits into one.

The number of people claiming Universal Credit has increased steadily over time

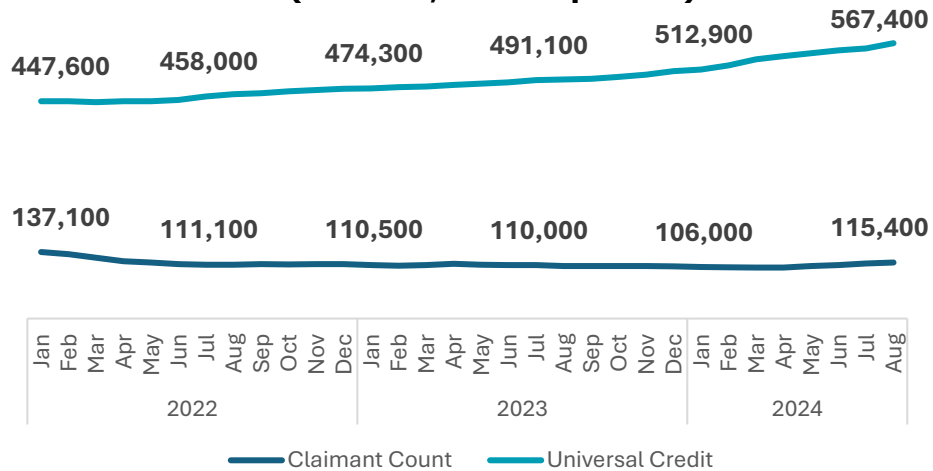
As shown at Figure 1, there has been an ongoing trend of growth in the number of people claiming Universal Credit (UC) since 2022, from 447,600 in January 2022 to 567,400 in August 2024 – an increase of 27%.

A relatively stable Claimant Count suggests the increase in Universal Credit is not being driven by unemployment

As is also shown at Figure 1, over a similar period the Claimant Count, which measures the number of people who are receiving benefits principally for the reason of being unemployed, has remained relatively stable. Following a reduction over the early months of 2022 the Claimant Count ranged from 105,100 to 118,300 between April 2022 and August 2024.

UC includes those within the Claimant Count who are claiming UC principally due to unemployment. However, it is also a wider benefit, available in certain circumstances, to people who are in employment but on a low income and people who are out of work but not seeking work / are economically inactive (e.g. due to sickness). The increasing trend in UC claimants, and the relatively stable Claimant Count, could suggest, therefore, that the increase in people claiming UC is mainly among people who are in employment or who are economically inactive. However, there are also other important considerations relating to the history and rollout of UC which are also contributing factors.

Figure 1: People Claiming Universal Credit and Claimant Count (Scotland, 2022 to present)



Source: ONS, LFS (September 2024) and DWP StatXplore

A process is currently underway to migrate people on legacy benefits* to Universal Credit

UC was first introduced in 2013 and gradually rolled out across the UK and to different types of claimants. By the end of 2018 this was fully rolled out for *new* customers. However, a significant number of existing customers continued to claim legacy benefits* that UC replaced for new customers.¹

In November 2023, 162,000 households in Scotland were claiming legacy benefits, whilst 441,700 were claiming UC, meaning that 25% of all claiming households were claiming legacy benefits.² Full rollout of UC, which will see all claimants moved off of legacy benefits that will then cease to exist, has been delayed. At present this “migration” process is ongoing, and expected to be complete in 2028/29.³ This means that as the migration process continues to roll out, the number claiming legacy benefits will decrease, and more will continue to move on to UC.

¹ DWP. [Completing the move to Universal Credit](#) (August 2024).

² House of Commons Library. [Constituency Data: Universal Credit Rollout](#) (February 2024).

³ House of Commons Library. [Managed Migration: Completing Universal Credit Rollout](#) (April 2024).

*Universal Credit legacy benefits are: Working Tax Credits, Child Tax Credit, Housing Benefit, income-related Employment and Support Allowance, Income Support and income-based Jobseeker’s Allowance.

Spotlight: Universal Credit

Migration from legacy benefits to Universal Credit occurs in different ways

There are three ways through which legacy benefit claimants may migrate on to UC. These are natural migration, which occurs when a legacy benefits claimant needs to update/make a new claim due to a change in their circumstances; voluntary migration for those who choose to move on to UC (likely due to greater entitlement on UC); and managed migration, where legacy benefit claimants are contacted by the DWP and advised that they must claim UC in order to continue accessing means tested benefits.⁴

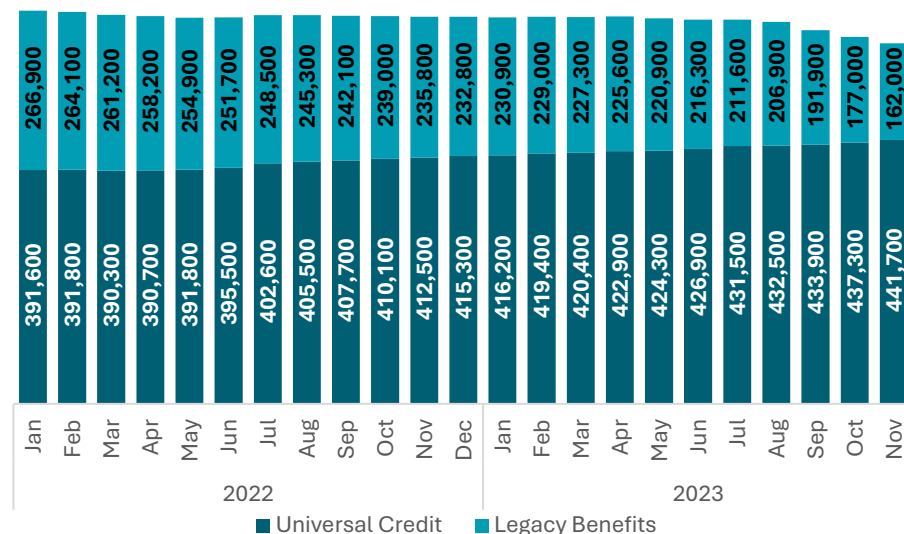
Following a delay in rolling out managed migration due to the pandemic,⁴ full-scaled managed migration started in April 2023, beginning with those claiming Tax Credits only.² The latest data shows that between July 2022 and June 2024 78,700 individuals and 57,200 households in Scotland were sent migration notices. Of these 45,900 individuals (58%) and 33,900 households (59%) had made a claim to UC.¹ Between July 2022 and June 2024 the number of people claiming UC increased by 94,600,⁵ far exceeding the number of people who claimed UC as part of the managed migration process. However, as mentioned, there are other methods people may migrate to UC.

More households are claiming Universal Credit, but taken together the number of households claiming either Universal Credit or legacy benefits has fallen

Data for households suggests that migration from legacy benefits is likely to be a factor contributing to the increase in UC claimants. Since 2022 the number of households claiming UC has increased whilst at the same time the number claiming legacy benefits has reduced. Taken together, in November 2023* there were 603,700 households in Scotland claiming UC or legacy benefits, compared with 658,500 in January 2022. This is because whilst the number of households claiming UC increased (+50,100), this was more than

offset by a fall in the number of households claiming legacy benefits (-104,900). Therefore, combined, the total number of households claiming either UC or legacy benefits actually fell.²

Figure 2: Households Claiming Universal Credit and Legacy Benefits (Scotland)



Source: House of Commons Library (Feb 2024)

Roll-out and migration process needs to be considered as a contributing factor to the increase in Universal Credit claimants

This spotlight has highlighted the importance of considering the rollout process for UC, how this has contributed to the rising numbers of claimants, and how this may continue to affect the data until full migration is complete.

*This is the most recent data available, and is only available at household level. Data is in the process of being updated due to changed Westminster constituency boundaries.

⁴ DWP. [Completing the Move to Universal Credit](#) (June 2022).

⁵ DWP StatXplore (September 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