

Economy, People and Skills

April 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.



The economic situation continues to be fluid as inflation is falling but economic growth remains weak and the labour market is loosening. As a result, it is expected that interest rates will be cut during 2024, but uncertainty remains about when and to what extent.

Labour Force Survey (LFS) data shows cooling trend for the UK

LFS data indicates that the UK labour market is cooling as unemployment increased and employment fell – and other sources show a similar short-term trend. The latest available data for Scotland shows that between December 2023 and February 2024, unemployment and economic inactivity decreased (-0.4 pp and -0.2 pp) while employment increased (+0.5 pp). This is a different short-term trend compared to the UK. However, other sources support the view that the Scottish Labour Market is loosening.

There has been a seasonal increase in job postings but recruitment activity slows

The RBS Jobs report found that vacancies fell for the eighth month in a row in March and pressures on pay have started to ease as recruitment activity declines in Scotland. Online job postings in March increased by 16% across Scotland compared with February. However, this appears to be a result of seasonal patterns rather than a more substantive increase in activity, as the number of postings declined by nearly one-third (29%) compared with the same point last year (March 2023).

Inflation is at its lowest level in over two years, but owner-occupiers' housing costs are still rising

CPI inflation fell to 3.2% in March 2024, declining to its lowest level since September 2021. However, owner-occupiers' housing costs rose to their highest level since

July 1992, meaning that the inflation rate including owner occupiers' housing costs (CPIH) remained unchanged from February. With the impact of a lower energy cap from April, forecasts expect inflation to fall below the 2% target in the second quarter of 2024, and markets expect base interest rate cuts to begin later this year. Growth in wages has continued to cool, with regular pay increasing by 6.0% over the year. However, falling inflation means that real pay growth is at its highest level in over two years.

Economic growth remains weak

The latest GDP data for the UK confirmed that the UK entered recession at the end of 2023, but this is expected to be short-lived as monthly data shows some signs of recovery. Whilst there was no new quarterly data for Scotland this month, first estimates indicated that recession was avoided. In 2023 growth was broadly flat in both the UK (+0.1%) and Scotland (+0.2%). Excluding 2020, this is the lowest annual growth recorded for the UK since the 2009 financial crisis.

Latest forecasts predict slow economic recovery starting in 2024

The improving picture for inflation is expected to have a positive impact on the wider economy. The latest forecasts for Scotland from the Fraser of Allander Institute (FAI) estimate that the Scottish economy will grow by 0.6% in 2024, increasing to 1.1% in 2025 and 1.2% in 2026. These estimates are unchanged from the previous forecast published in February. FAI expect growth to improve from flat levels in 2023, but the outlook remains relatively subdued due to continuing economic challenges and the potential for geopolitical uncertainty to impact the economic outlook.

UK and Scotland Economy - Gross Domestic Product (GDP)

UK GDP

Revised quarterly UK GDP data released in March confirmed first estimates that the UK fell into recession at the end of 2023. This was due to contraction of -0.1% in Q3 and -0.3% in Q4.¹ Recession is defined as two consecutive quarters of contraction in GDP. Annual GDP figures for the UK, which cover the whole of 2023, estimate the UK economy remained broadly flat (+0.1% growth). Excluding 2020 due to the impact of the pandemic, this is the lowest annual growth recorded since the 2009 financial crisis.¹

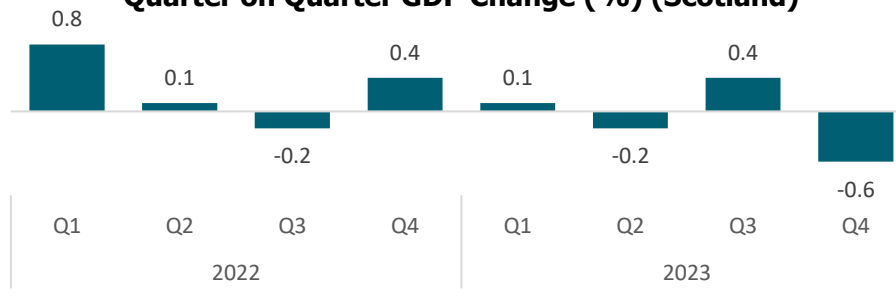
The latest monthly data shows signs of recovery in early 2024 as the UK economy grew slightly in January (+0.3%) and February (+0.1%).³

Scotland GDP

In contrast to the UK, Scotland did not enter recession at the end of 2023. The Scottish Government estimates that GDP fell by -0.6% in

Q4 2023 but grew in Q3 2023 (+0.4%).³ Therefore two consecutive quarters of contraction did not occur. Like the UK as a whole, however, the data suggests that Scotland's growth for 2023 overall was also broadly flat (+0.2% compared to 2022).³ The latest monthly data for Scotland is for January 2024, which estimates that Scotland's economy grew by +0.6%. This followed +0.4% growth in December and +0.1% growth in November.⁴

Quarter on Quarter GDP Change (%) (Scotland)



Economic Outlook

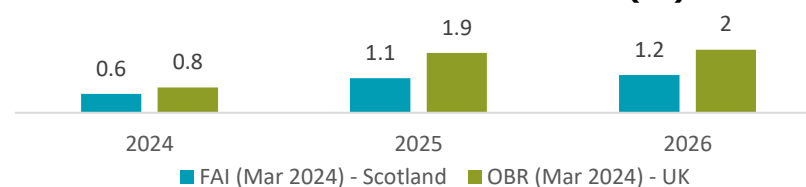
The Fraser of Allander Institute (FAI) released new economic forecasts⁵ for Scotland at the end of March. As with their previous forecast, the new forecasts predict the economy will begin to slowly recover in 2024.

The latest FAI forecasts estimate that the Scottish economy will grow by 0.6% in 2024, increasing to 1.1% in 2025 and 1.2% in 2026. This is unchanged from FAI's previous forecast released in February. The forecasts are slightly less positive than the Office for Budget Responsibility's UK forecast⁶, which predicted growth of 0.8% in 2024 followed by 1.9% in 2025 and 2.0% in 2026.

The forecast for slow, but improving, growth reflects early signs of recovery in 2024. In particular, inflation has fallen to its lowest level in over two years and is predicted to fall below the 2% target in the second quarter of 2024.

Whilst there are signs of improvement, economic challenges remain. For example, although it has improved, the Scottish Consumer Sentiment Indicator remains negative, showing more people are negative than positive about their financial circumstances and the wider economy. This reflects the continuing impact of elevated inflation and interest rates over the past two years. Geopolitical uncertainty could also impact the fragile growth outlook.

Forecasts for Annual GDP Growth (%)



¹ ONS. [GDP quarterly national accounts, UK: October to December 2023](#) (March 2024).

² ONS. [GDP monthly estimate, UK: February 2024](#) (April 2024).

³ Scottish Government. [GDP First Quarterly Estimate: 2023 Q4](#) (February 2024).

⁴ Scottish Government. [GDP Monthly Estimate: January 2024](#) (March 2024).

⁵ FAI. [Economic Commentary: Q1 2024](#) (March 2024).

⁶ OBR. [Economic and Fiscal Outlook – March 2024](#) (March 2024).

Inflation and the Cost of Living



Labour costs remain a key concern for businesses

The latest Index from the Federation of Small Businesses gave a business confidence score of -19.2 for Scotland in Q4 2023.

This is below the UK average (-15.0), but an improvement from Q3 2023 (-30.2).¹

Despite falling inflation, labour costs are a key concern for businesses.

Over a quarter (27%) of small businesses across the UK reported labour costs are a barrier to their growth ambitions.¹

The latest quarterly indicator from the Scottish Chamber of Commerce also found that over three quarters (76%) of businesses reported labour costs as a cost pressure.²



Rising concern over affordable housing

The Deloitte State of the State survey for Scotland highlighted the continuing dominance of concerns related to rising costs.³

The cost of living was the top concern of respondents, mentioned by 82%. Jobs and economic growth and affordable housing (both mentioned by 46%) were also key concerns.³

The proportion of respondents mentioning affordable housing was up from 40% in 2023. The latest data estimates that average private rent in Scotland grew by 10.5% in the 12 months to March 2024. However, this has fallen from a record peak of 11.8% in August 2023.⁴



Inflation continues to fall

Inflation (CPI) fell to 3.2% in the 12 months to March 2024, down from 3.4% in February.⁵

Whilst inflation is slightly higher than economists had expected, for the second month in a row it has fallen to its lowest level since September 2021.⁵

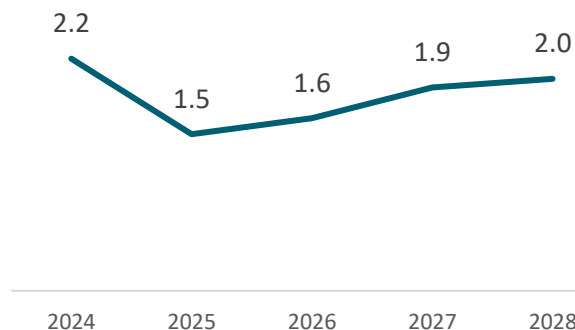
Whilst CPI fell in March, CPIH (which includes owner occupiers' housing costs) remained at 3.8%. This was driven by owner occupiers' housing costs rising to 6.3%, the highest rate since July 1992.⁵

Inflation forecast

The most recent UK inflation forecasts are from the OBR.⁶ Released in March 2024, these predict that the CPI rate (inflation) will fall to 2.2% in 2024 and 1.5% in 2025, before gradually returning to the 2% target in 2028. This is shown in the graph below.

The Bank of England's (BOE) most recent forecasts (from February 2024) predict a less consistent downward trend.⁷ While also estimating that inflation will fall to the 2% target in Q2 2024, they then expect inflation to rise again, reaching around 2.75% at the end of 2024, and to generally remain above 2% until Q4 2026. These figures reflect the Bank's forecasts in February. No new forecasts were released alongside their rates announcement on 21st March 2024.

OBR – CPI Inflation Projections (%)



¹ Federation of Small Business. [Small Business Index: 2023 Q4](#) (March 2024).

² Scottish Chambers of Commerce. [Quarterly Economic Indicator: 2024 Q1](#) (March 2024).

³ Deloitte. [The State of the State 2024: Scotland](#) (February 2024).

⁴ ONS. [Private rent and house prices, UK: April 2024](#) (April 2024).

⁵ ONS. [CPI, UK: March 2024](#) (April 2024).

⁶ OBR. [Economic and Fiscal Outlook: March 2024](#) (March 2024).

⁷ Bank of England. [Monetary Policy Report – February 2024](#) (February 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%**

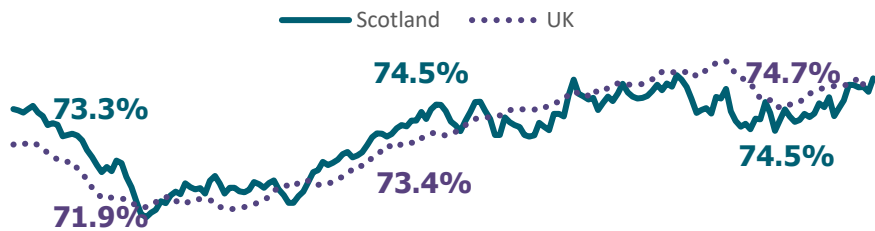
- The latest data suggests Scotland's employment rate was **74.2%** in the period covering December 2023 to February 2024. Employment is estimated to have increased by +0.5 pp compared with the previous quarter.*

Employment Rate: 2022 onwards (re-weighted figures)



Sep-Nov 2022 Dec-Feb 2023 Mar-May 2023 Jun-Aug 2023 Sep-Nov 2023 Dec-Feb 2024
 Previous year Current quarter

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



2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022

Economic Inactivity (16-64)¹

➤ **The 16-64 Scottish economic inactivity rate was estimated to be 22.6%**

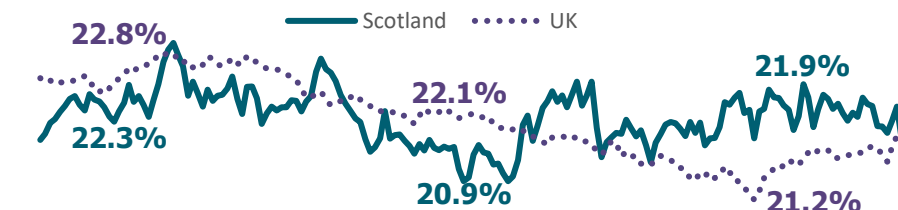
- The latest data suggests that Scotland's economic inactivity rate was **22.6%** in December 2023 to February 2024. The economic inactivity rate was lower than last quarter (-0.2 pp lower).*

Economic Inactivity Rate: 2022 onwards (re-weighted figures)



Sep-Nov 2022 Dec-Feb 2023 Mar-May 2023 Jun-Aug 2023 Sep-Nov 2023 Dec-Feb 2024
 Previous year Current quarter

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



2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022

¹ ONS, Labour Force Survey (16th April 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

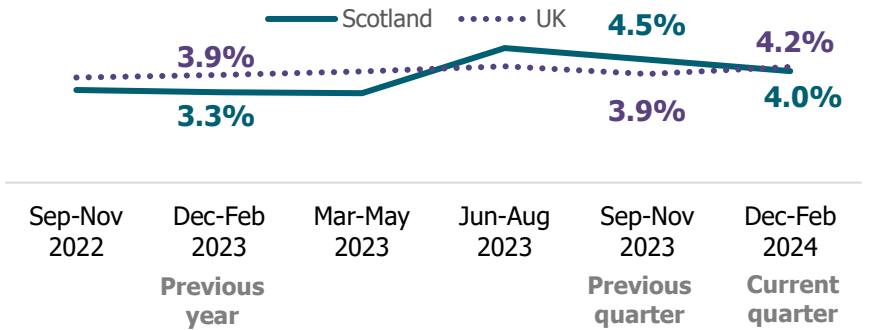
The LFS returned in February, and the ONS have published new, reweighted estimates from 2011 for the UK and from 2022 for Scotland. This reweighting incorporates UK population changes, helping to make LFS estimates more representative. Reweighted and non-reweighted data is not comparable and therefore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

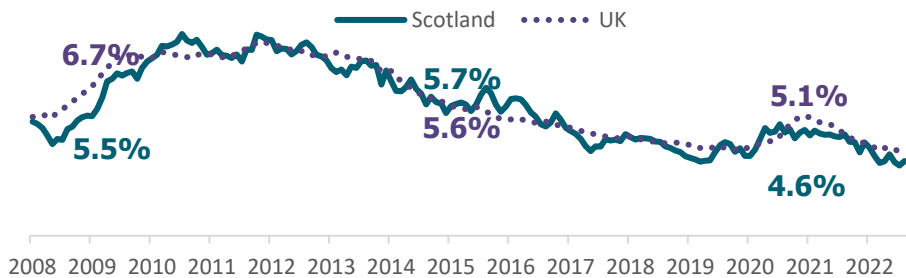
➤ **Unemployment in Scotland was estimated to be 4.0%**

- The latest data suggests Scotland's unemployment rate was **4.0%** in the period covering December 2023 to February 2024. This is estimated to be lower than the last quarter (-0.4pp decrease).*

Unemployment Rate: 2022 onwards (re-weighted figures)



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

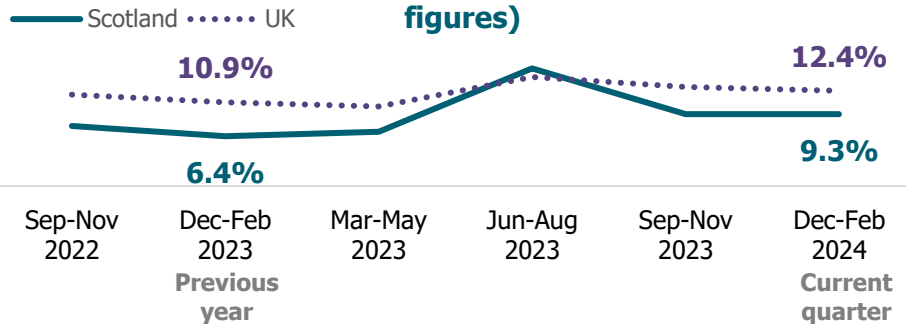


Youth Unemployment (16-24)^{1,2}

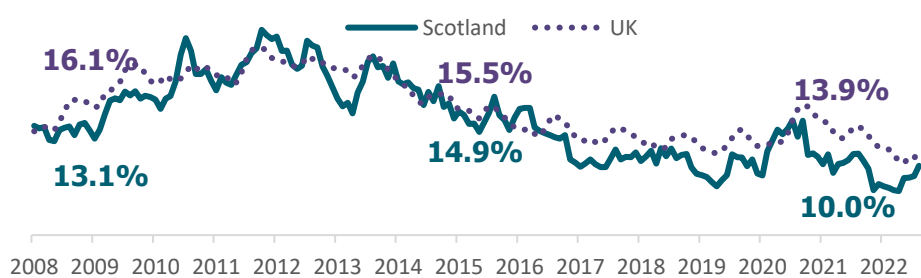
➤ **16-24 youth unemployment in Scotland was estimated to be 9.3%**

- The latest data estimates Scotland's youth unemployment rate was **9.3%** in the period covering December 2023 to February 2024. This is higher than the same period of the previous year (+2.9 pp increase).** This month's spotlight provides analysis of the youth labour market using longer-term Annual Population Survey data.

Youth Unemployment Rate: 2022 onwards (re-weighted figures)



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



¹ ONS. Labour Force Survey (16th April 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

538,300

people claiming Universal Credit in Scotland in March 2024

Between February and March 2024, 16,300 additional people in Scotland claimed Universal Credit, an increase of 3.1%. This continues a trend of increase from June 2022. The overall increase 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%.

3.5%

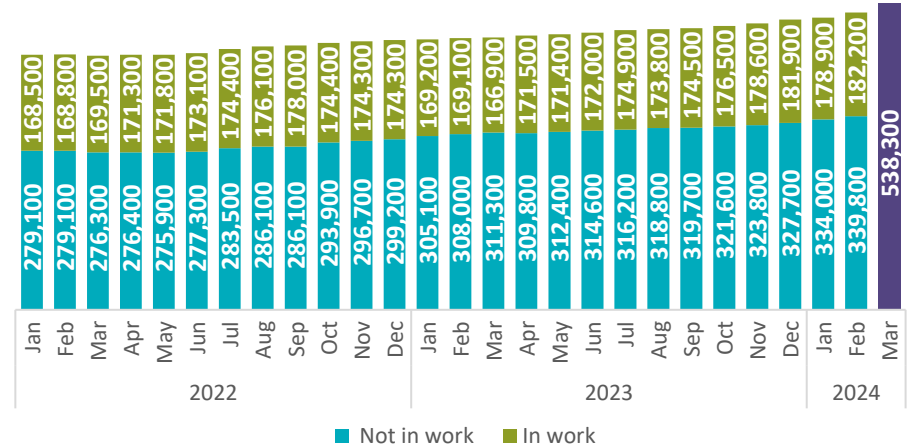
Claimant Count rate in Scotland in March 2024

Between February and March 2024, the Claimant Count rate in Scotland remained the same, at 3.5%. Since January 2022 the Claimant Count rate has fallen from 4.5%, but it has remained at a similar level since June 2022, ranging from 3.5% to 3.7%.

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

10,000*

Redundancies in the three months to February 2024 in Scotland

4.1*

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

* Estimates are based on a small sample and should be used with caution.

The number of people who were made redundant in Scotland increased in the three months to February 2024 (+1,000 or +12.6%) compared to the three months to February 2023.

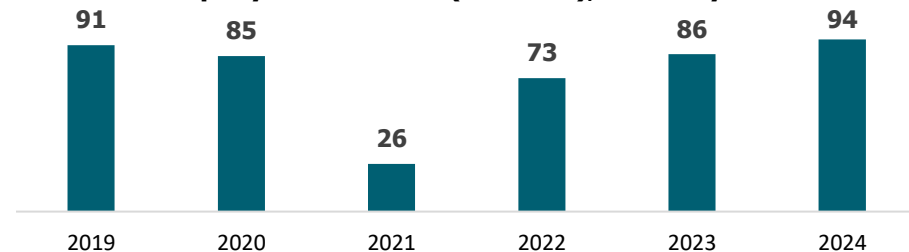
Redundancies have also reached their highest level in over two years, having last been 10,000 in October to December 2021.

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Company insolvencies in Scotland, February 2024

Analysis of data from 2019 to 2024 indicates that compared with the same month in previous years, company insolvencies in February 2024 were at the highest level over the period.

Company Insolvencies (Scotland), February



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

² ONS. Claimant Count (April 2024). *Experimental statistics*. March data is provisional.

³ ONS. Labour Force Survey (16th April 2024).

⁴ The Insolvency Service. [Monthly Insolvency Statistics, February 2024](#) (March 2024).

Job Postings in Scotland^{1,2}

At 45,600, job postings in March increased compared with the previous month. However, postings fell substantially compared with the previous year.

Reflecting seasonal patterns, job postings in March increased by 6,300 or 16% compared with February 2024. However, continuing the recent pattern of cooling, postings fell by nearly one third (-29%) or 18,500 compared with March 2023. The three-month rolling average has increased (+10%) for January to March compared with December to February.

The highest demand in March was for occupations such as:

- Sales Related Occupations;
- Cleaners and Domestic staff;
- Care Workers and Home Carers;
- Managers and Directors in Retail and Wholesale; and
- Programmers and Software Development Professionals.

The occupations in highest demand remain similar to last month.

The following occupations had the largest change in job postings in March compared to February:

- Sales Related Occupations (+400);
- Managers and Directors in Retail and Wholesale (+200); and
- Cleaners and Domestic staff (+200).

The skills in highest demand in March were:

Common skills

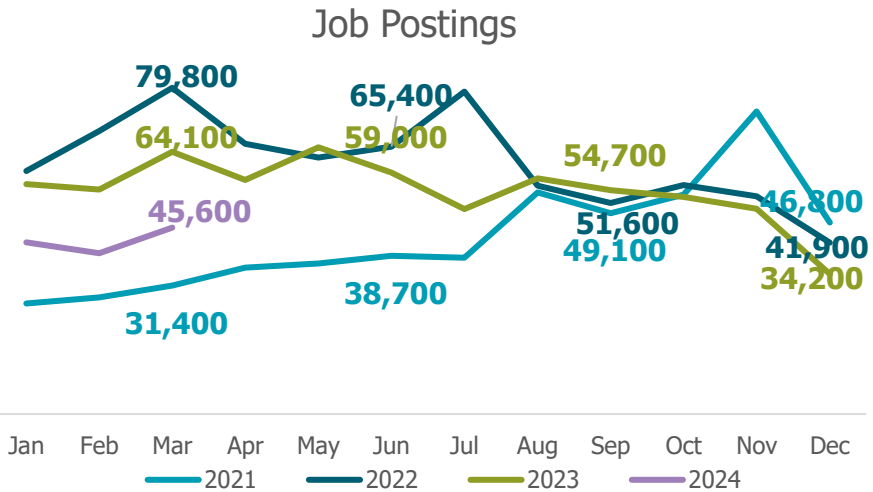
- Communication;
- Customer Service; and
- Management.

Specialised skills

- Project Management;
- Finance; and
- Auditing.

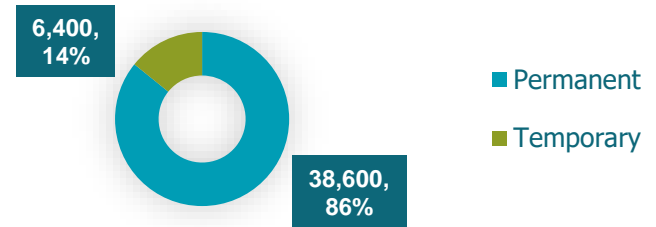
Public and private sector postings in March:

- In March, the top 10 organisations with the most job postings were predominantly private sector organisations.

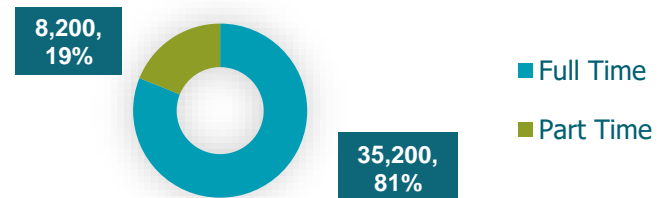


Job Postings in Scotland, March 2024

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 (April 2024). Lightcast gathers insights from online job postings. Please note March 2024 job postings are provisional.

² Numbers rounded to the nearest 100.

Spotlight: Youth Labour Market

This month's spotlight is focused on the youth (16-24) labour market. Evidence shows that early experiences and outcomes for young people can have a significant impact on an individual's career trajectory. The spotlight starts by explaining the data challenges associated with analysing the youth labour market. It then goes on to consider recent and long-term trends in the Scottish youth labour market and the reasons driving economic inactivity amongst young people.

Data challenges impact analysis of youth labour market

Data in this spotlight is sourced primarily from the ONS' Annual Population Survey (APS). As a result, the most recent data available is for the calendar year 2023. Whilst the Labour Force Survey (LFS) offers more timely data, with the most recent data being from December 2023 to February 2024, there are challenges around the LFS sample sizes. For example, youth unemployment data for Scotland is consistently based on a small sample size meaning estimates are less precise and need to be used with caution. We regularly consider both measures in this monthly report to explore the outlook for the youth labour market in Scotland.

Youth unemployment is at a historically low level, but employment rates have fallen over the past 20 years and economic inactivity has increased

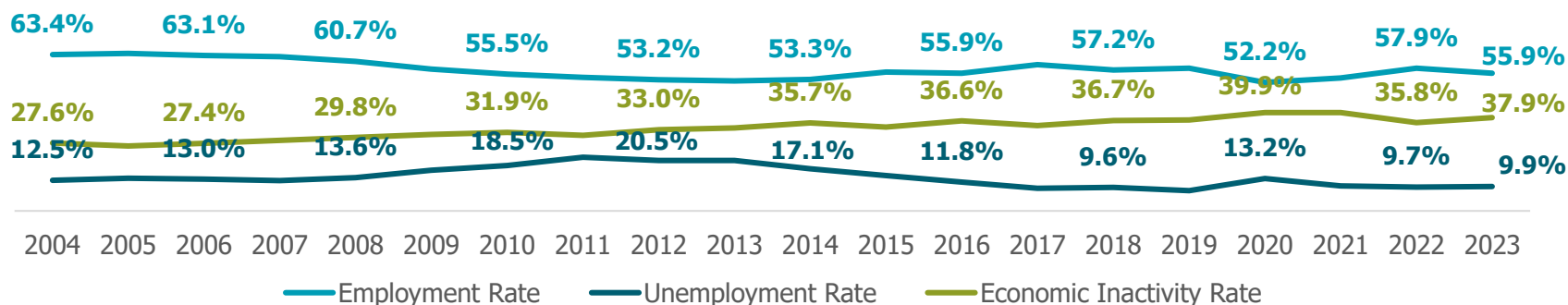
The latest APS data for 2023 estimates that the youth employment (those in work, including those also in education) rate was 55.9%, youth unemployment (those not in work but seeking work, including students who are seeking work) was 9.9% and economic inactivity (those not in work and not seeking work, including students who are not working or seeking work) was 37.9%.

Looking at long-term trends (Figure 1), youth employment fell considerably from 2008, reflecting the impact of the financial crisis and more young people staying in education for longer. More recently, employment fell during the pandemic but has since increased to around the pre-pandemic level.

Accompanying the fall in employment, economic inactivity rose from the late 2000s as more young people stayed in education. In recent years economic inactivity has fallen from a peak of just under 40% during the pandemic and remains relatively high.

Youth unemployment substantially increased from 2008, reflecting the impact of the financial crisis. Unemployment then started to fall in the mid-2010s, and following an increase during the pandemic, it has been at a historically low level.

Figure 1: Youth (16-24) Labour Market Trends, Scotland (2004 to 2023)



Source: ONS (2024). Annual Population Survey.

Spotlight: Youth Labour Market

Education is a long-term driver of change in the youth labour market

Over the past 20 years, education has been a key driver for changes in the youth labour market, including falling rates of employment and increasing economic inactivity as more young people have stayed in education for longer. In 2023, almost half (46.6%) of 16-24 year olds in Scotland were in full-time education, up from 38.7% in 2008.² This is related to growing rates of economic inactivity as young people in full-time education are more likely to be economically inactive (not in employment or seeking a job). In 2023 around three-quarters of economically inactive young people were in full-time education.¹

It is also important to consider the longer term positive impact of young people staying in education for longer as evidence shows that graduates on average earn higher salaries and work in higher skilled jobs than non-graduates.²

Sickness emerging as a driver of youth economic inactivity

As well as this long-term trend around education, APS data also indicates that sickness is a factor in increased economic inactivity among young people (Figure 2). In 2023, nearly one in eight (11.7%) young people who were economically inactive said this was due to long-term sickness, up from less than one in twenty

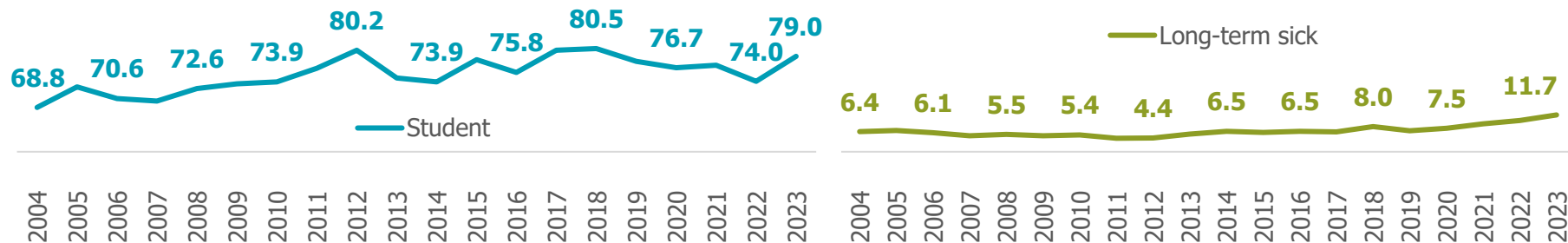
(4.4%) in 2012. This has been a growing trend since the pandemic and has been linked to increasing rates of mental health problems among young people.

Analysis from the Resolution Foundation³ found that the proportion of 18-24 year olds in the UK with a Common Mental Disorder (CMD) such as depression, anxiety or bipolar disorder increased from around a quarter in 2000 to over a third in 2021-2022. This has also been related to the labour market as almost half (45%) of 18-24 year olds who are neither working or studying have a CMD, compared with around a quarter (27%) of young people in work. Reflecting the same trend, over one in five (21%) 18-24 year olds with a CMD were neither working or studying in 2018-2022, compared with 13% who did not have a CMD.

In summary, the youth labour market has changed substantially in the past 20 years, and sickness has emerged as a growing driver of economic inactivity

Young people staying in education has been a key driver of falling employment and growing economic inactivity among young people over the past 20 years. Looking ahead, sickness has emerged as a potential challenge driving growing economic inactivity across all ages, and in particular for young people in relation to mental health.

Figure 2: Reasons for Economic Inactivity amongst 16-24 year olds (%), Scotland (2004 to 2023)



Source: ONS (2024). Annual Population Survey.

¹ Scottish Government. [Labour Market Statistics for 16 to 24 year olds](#) (March 2024).

² UK Government. [Graduate Labour Market Statistics](#) (June 2023).

³ Resolution Foundation. [We've Only Just Begun](#) (February 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