



Skills
Development
Scotland

Economy, People and Skills

January 2024



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Economy, People and Skills

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



The new year has seen some challenges for the economy with an unexpected increase in inflation, as well as a contraction of the UK economy in the third quarter of 2023. New forecasts released alongside the Scottish Budget predict sluggish economic growth in Scotland will continue.

Experimental data continues to suggest little change in the Scottish labour market

The Office for National Statistics (ONS) has continued to release experimental data on employment, unemployment and economic inactivity for Scotland this month. The data should be used with caution due to its experimental nature.

The latest statistics again suggest there has been little change in Scotland's labour market compared to the previous quarter, with the latest data covering September to November 2023. Scotland's unemployment rate was estimated to be 3.8%. The employment rate was estimated to be 74.4%, and economic inactivity was 22.6%.

Job postings fall considerably in December continuing a downward trend

The labour market continued to cool, as job postings fell again in December. This in part reflects seasonal hiring patterns, however, postings were 19% lower than at the same point in 2022. The RBS jobs report also signalled a continued decline in recruitment activity as both permanent and temporary vacancies fell markedly, and for the fifth month in a row.

Slight increase in inflation in December

Following sharp declines in October and November,

inflation increased slightly to 4.0% in December, up from 3.9% in November. Economists still expect inflation will fall over the course of 2024.

Supporting expectations that inflation will fall, pay growth in the UK slowed to 6.6% for regular pay and 6.5% for total pay (including bonuses). At 6.5%, regular pay growth in the private sector was at its lowest level since June-August 2022 (6.2%).

UK economy contracts in the third quarter

Revisions to UK GDP data released at the end of 2023 presented a challenging picture of the economy. Estimates for quarters two and three of 2023 were reduced to 0.0% (no growth) and -0.1% contraction respectively. More recent monthly UK data suggests some recovery in November as GDP rose by 0.3%.

Scottish Budget presents fiscal challenges amid prospects for sluggish economic growth

The Scottish Budget was announced at the end of December. In the lead-up to the budget, much of the focus was on the potential spending gap facing the Scottish Government. The outlook remains challenging, but the fiscal position has improved. This is mainly due to earnings growth and policy changes which are expected to increase income tax generation and narrow the spending gap.

Economic forecasts released alongside the budget outlined a similar position to other forecasts. Short-term estimates for the economy have improved compared with this time last year, but are more negative than they were in May, with low growth predicted.

Scotland's Economy - Gross Domestic Product (GDP)

Scotland's economy was hard hit by COVID-19, leading to the largest annual fall in Scottish GDP on record. Annual GDP is now estimated to have fallen by 12.0% in 2020 and is then estimated to have grown by 9.2% in 2021. Year on year growth is estimated at 5.2% for 2022.¹

Quarterly GDP estimates

The first GDP estimate for Q3 in Scotland indicated growth of 0.4%. This follows a contraction of -0.3% in Q2 2023 and growth of 0.2% in both Q1 2023 and Q4 2022.²

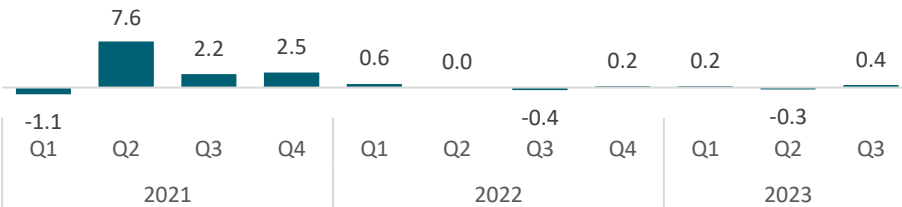
Recent revisions estimate that UK GDP fell by -0.1% in Q3 2023, following a flat (0.0% change) Q2. This compares with 0.0% and 0.2% growth respectively in initial estimates³, and has raised the prospect of potential technical recession (two consecutive quarters of contraction) at the end of 2023.

Monthly GDP estimates

Monthly GDP data is more volatile than quarterly estimates. The most recent data shows Scotland's GDP fell by -0.5% in October, following a 0.1% increase in September and a 0.2% increase in August.⁴

For comparison, the UK also saw contraction in October (-0.3%) following growth (0.1%) in September and a flat August (0.0%). UK data for November is also available, showing 0.3% growth.⁵

Quarter on Quarter GDP Change (%) (Scotland)



Scottish Budget and Economic Outlook

The Scottish Budget for 2024-25⁶ was presented to parliament at the end of December, alongside new economic and fiscal forecasts from the Scottish Fiscal Commission (SFC).⁷

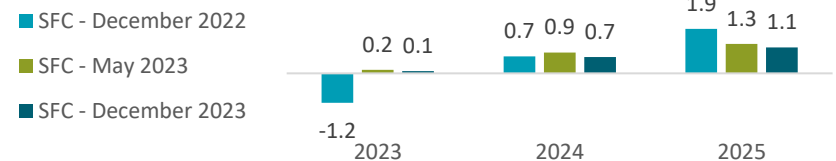
In the lead up to the budget much of the focus had been on the potential gap between spending and funding. For resource spending this had been identified as £1bn at the Mid-Term Financial Statement in May and as £800m by Fraser of Allander in their pre-budget report.⁸

Although the budget has increased compared with previous estimates – mainly due to higher levels of income tax as a result of earnings growth as well as changes to tax structures (the

introduction of a new Advanced rate of income tax and increasing the Top tax rate to 48%) – future spending is expected to remain squeezed.

Looking at the SFC's economic outlook, similar to other forecasters, their short-term estimates for the economy have improved compared with this time last year, but are more negative than they were in May.

SFC Forecasts for Annual GDP Growth (Scotland)



¹ Scottish Government. [GDP Quarterly National Accounts: Q2 2023](#) (November 2023).

² Scottish Government. [GDP First Quarterly Estimates: Q3 2023](#) (November 2023).

³ ONS. [GDP quarterly national accounts, UK: July to September 2023](#) (December 2023).

⁴ Scottish Government. [GDP Monthly Estimate: October 2023](#) (December 2023).

⁵ ONS. [GDP Monthly Estimate: November 2023](#) (January 2024).

⁶ Scottish Government. [Scottish Budget: 2024 to 2025](#) (December 2023).

⁷ SFC. [Scotland's Economic and Fiscal Forecasts – December 2023](#) (December 2023).

⁸ Fraser of Allander. [Scotland's Budget Report 2023](#). (December 2023).

Inflation and the Cost of Living



Business activity has continued to decline

The latest Purchasing Managers Index report from RBS found that **business activity fell for the fourth month in a row in December**. However, the rate of decrease was slower than previous months, and reflected weakness in the Manufacturing sector. Services firms saw marginal growth.¹

Looking ahead, **businesses expect challenges at the start of 2024**. BICS data shows just 17.1% expect turnover to increase in January, while nearly a third (32.9%) expect it will decrease. This is particularly the case in Hospitality, with nearly six in ten (59.3%) expecting a decrease.²



Cost of living crisis continues to impact individuals

A recent survey of Scottish households found that **nearly seven in ten disagree that the cost of living crisis is easing** (69%), with just one in ten (10%) agreeing.³

This was also reflected in respondents' **biggest concerns for 2024**, which were **energy prices** (38%), **inflation** (31%) and **household finances** (31%).³

Also suggesting ongoing concern with the economy, the **Scottish Consumer Sentiment Indicator fell by 1.9 points to -4.6 in November**. Although this is still considerably more positive than at the same point in 2022 (-28.8).⁴



Slight increase in inflation

Inflation (CPI) increased slightly to **4.0% in the 12 months to December 2023, up from 3.9% in November**.⁵

The **increase was unexpected, and followed two sharp decreases in October and November**, which were greater declines than had been anticipated.

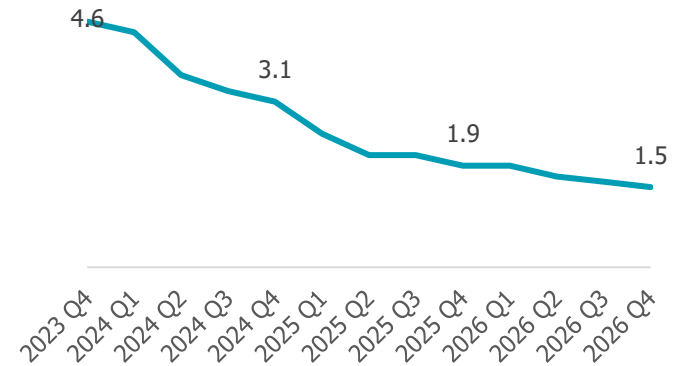
The slight increase in the UK reflects similar trends in the USA, France and Germany. The **overall picture suggests that inflation will continue to decline towards the 2% target**.

Inflation forecast

The Bank of England (BoE) expects **inflation will fall significantly over the longer term** from the highs seen in the latter half of 2022, largely due to a reduction in energy bills and higher interest rates. The Bank forecasts that inflation will meet its 2% target by the end of 2025.

Despite the increase in December, the most recent data indicates that **inflation in Q4 2023 (4.2%) was below what the BOE had forecast (4.6%)**.⁶ New inflation forecasts are expected to be released when the BoE meet again on the 1st of February.

Bank of England – Modal CPI Inflation Projections (%)



¹ RBS. [RBS PMI – December 2023](#) (January 2024)

² Scottish Government. [BICS Weighted Scotland Estimates: Wave 97](#) (December 2023)

³ Scottish Government. [Public Insight Monitor – December 2023](#) (December 2023).

⁴ Scottish Government. [Consumer Sentiment Monthly Data: November 2023](#) (December 2023).

⁵ ONS. [CPI, UK: December 2023](#) (January 2024).

⁶ Bank of England. [Monetary Policy Report – November 2023](#) (November 2023).

*The ONS has not published its usual Labour Force Survey (LFS) statistics since September. Since November, experimental data has been released for Scotland as well as the UK, with the latest data covering Sep-Nov 2023. These experimental figures should be used with caution.

Employment Rate (16-64)¹

Economic Inactivity (16-64)¹

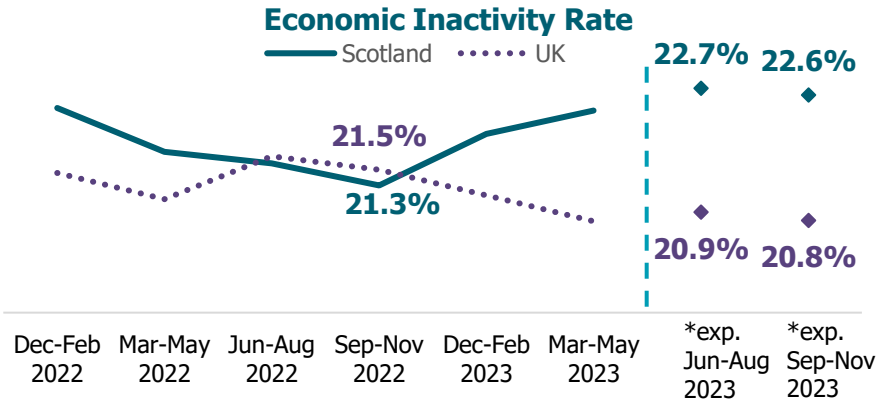
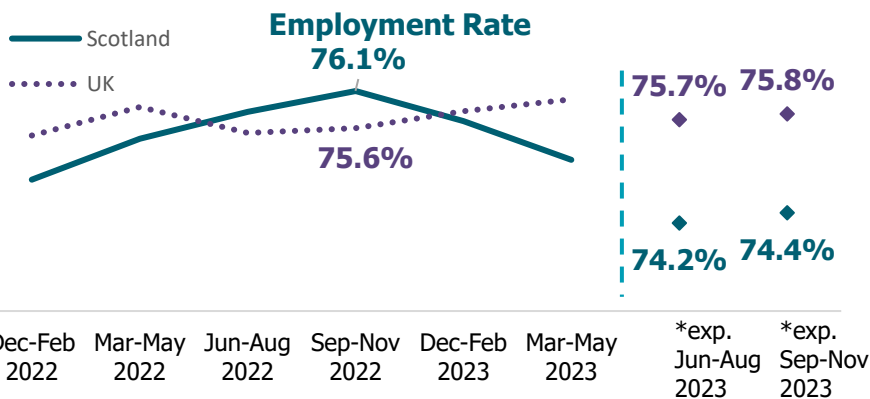
The most recent experimental data available for September-November shows that

➤ **Scotland's employment rate was estimated to be 74.4%**

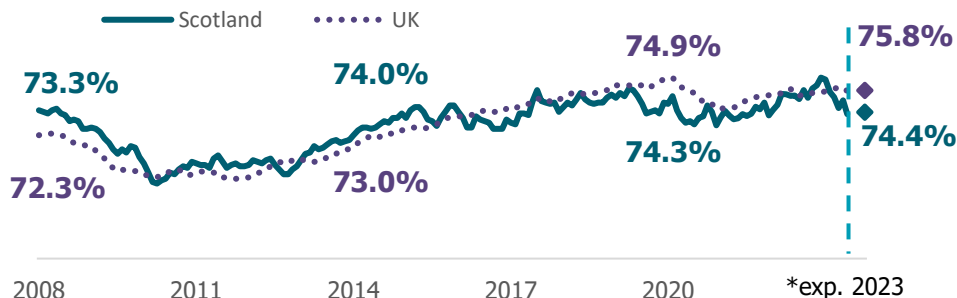
➤ **The 16-64 Scottish economic inactivity rate was estimated to be 22.6%**

- The experimental data suggests Scotland's employment rate was **74.4%** in the period covering September to November 2023.* Employment is estimated to have remained around the same as the previous quarter (0.1pp higher).**

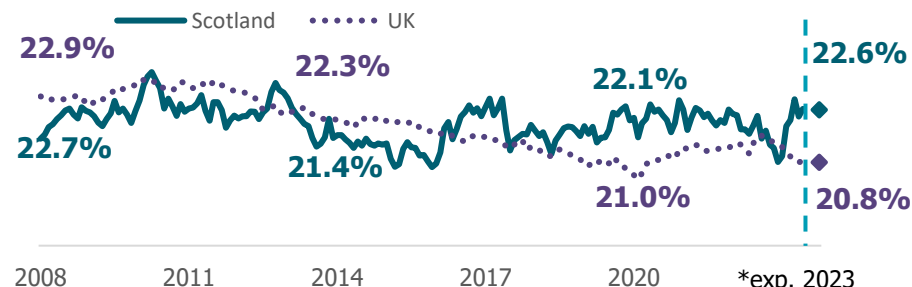
- The experimental data suggests that Scotland's economic inactivity rate was **22.6%** in September to November 2023.* The economic inactivity rate was around the same as last quarter (-0.1pp lower).**



Employment Rate: Longer-term trend



Economic Inactivity Rate: Longer-term trend



¹ONS. Labour Force Survey; UK experimental data source: ONS. Experimental adjusted employment, unemployment and economic inactivity by age group (seasonally adjusted) (16th January 2024) **Figures may not sum due to rounding.

*The ONS has not published its usual LFS statistics since September. Since November, experimental data has been released for Scotland as well as the UK, with the latest data covering Sep-Nov 2023. These experimental figures should be used with caution.

Unemployment (16+)¹

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

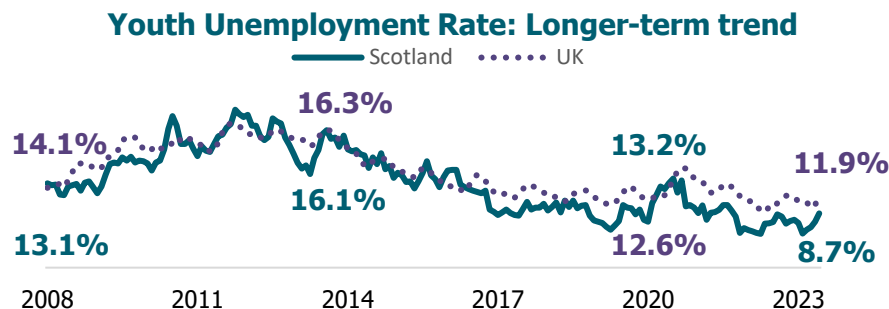
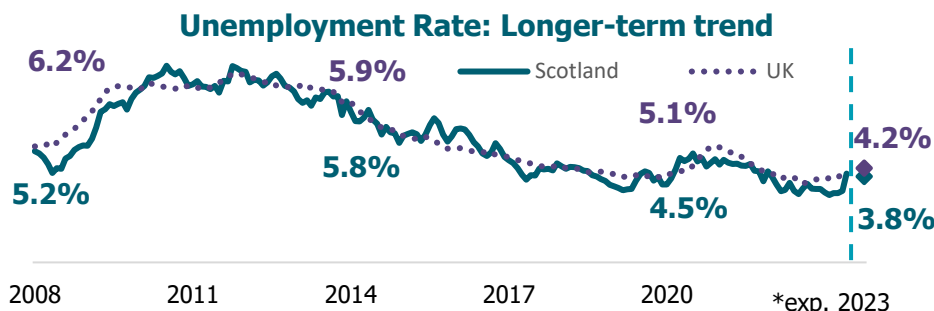
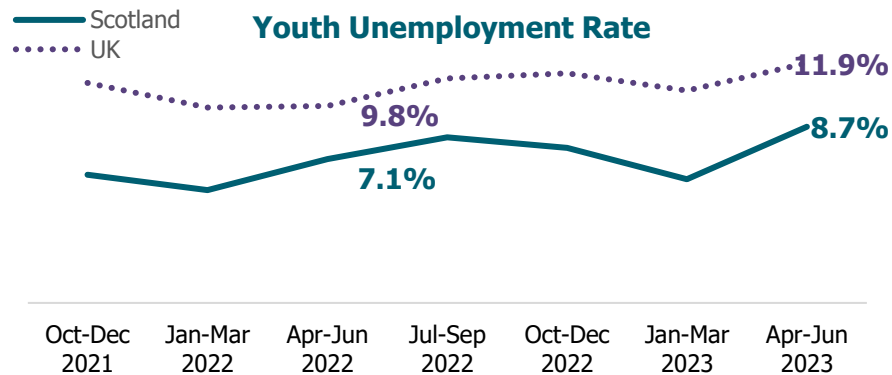
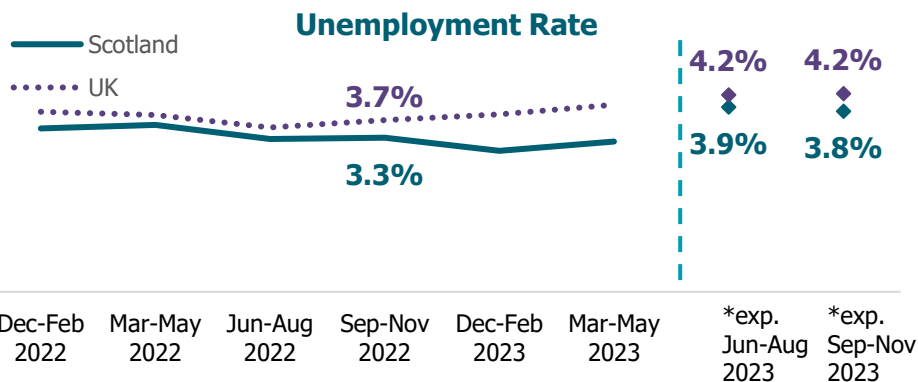
The most recent experimental data available for September-November shows that

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

- The experimental data suggests Scotland's unemployment rate was **3.8%** in the period covering September to November 2023.* This is estimated to be around the same as last quarter (-0.1pp decrease).**

➤ **There was no experimental data released for 16-24 youth unemployment**

- As data from May to July 2023 onwards has been replaced by experimental figures (which are not available for 16-24 year olds) we have presented the April to June 2023 LFS data. This shows youth unemployment was 8.7%, a 1.6pp increase on the previous year.***



Figures may not sum due to rounding. *Estimates are based on a small sample size. This may result in less precise estimates, which should be used with caution. New 16-24 data was not released for Scotland or the UK. This is the most recent data available for this time series.

¹ ONS. Labour Force Survey; UK experimental data source: ONS. Experimental adjusted employment, unemployment and economic inactivity by age group (seasonally adjusted) (16th January 2024).

² Please note: Youth Unemployment should only be compared to the previous year.

Universal Credit¹ and Claimant Count Rate²

512,900

people claiming Universal Credit in Scotland in December 2023

Between November and December 2023, 10,500 additional people in Scotland claimed Universal Credit, an increase of 2.1%. This continues a trend of increase from June 2022. The overall increase has been driven by an increase in claimants not in work, but there has also been a smaller increase in in-work claimants. Since January 2022 the proportion of claimants in work has ranged from 35% to 38%.

3.5%

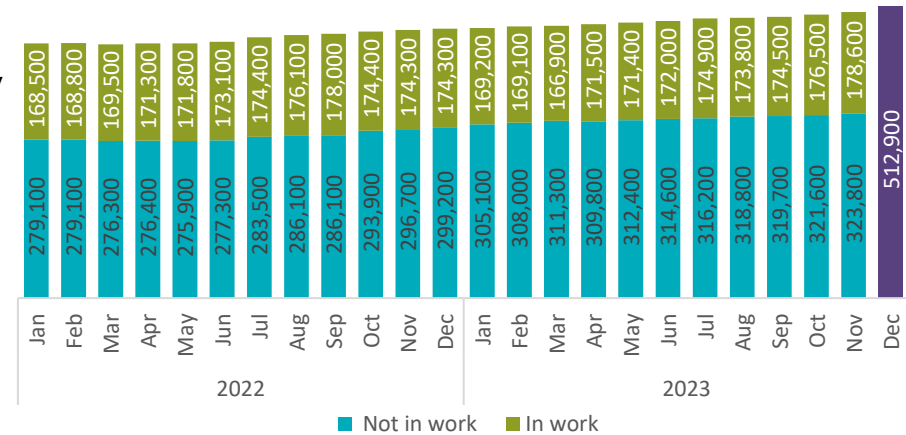
Claimant Count rate in Scotland in December 2023

Between November and December 2023, 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

64% 36%

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



Redundancies^{3,4} and Company Insolvencies⁵

2,609

potential redundancies in Scotland notified in December 2023

The ONS publishes information on the number of potential redundancies in different regions across the UK. The data captures potential (not actual) redundancies where an employer intends to dismiss 20 or more employees.

December's figure for Scotland (2,609) is a 21% increase on the same point in 2022, although a substantial reduction (reflecting seasonal patterns) from November, where the number was 4,957. Note that this data is experimental and figures may be revised.

Data on actual redundancies in Scotland is currently unavailable due to the delay of LFS data.

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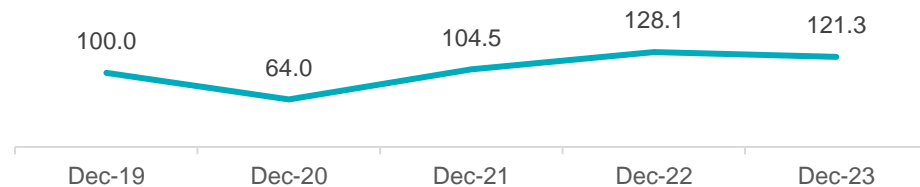
Company insolvencies in December 2023

The number of company insolvencies has increased over the past two years and is higher than the pre-pandemic level.

Year on year insolvencies decreased in December 2023.

Insolvencies were 5% lower than in December 2022, but remained 42% higher than in March 2020 (pre-pandemic level).

Index of Scottish company insolvencies (December 2019 = 100)



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

² ONS, Claimant Count (January 2024). *Experimental statistics*. December data is provisional.

³ ONS, HR1: Potential Redundancies (January 2024). *Experimental statistics*.

⁴ Institute for Employment Studies, [Labour Market Statistics, December 2023](#) (December 2023).

⁵ The Insolvency Service, [Monthly Insolvency Statistics December 2023](#) (January 2024).

Job Postings in Scotland^{1,2}

At 34,200, job postings fell considerably in December continuing a downward trend.

December 2023 saw the number of job postings decrease by 32% (-16,100) compared with November 2023. This will in part reflect seasonal patterns, but postings also fell by 19% (-7,800) compared to the previous year. The job posting three-month rolling average has also decreased (-13.0%) for October to December compared with September to November.

The highest demand in December was for occupations such as:

- Care Workers & Home Carers;
 - Sales Related Occupations;
 - Cleaners & Domestic;
 - Other Registered Nursing Professionals; and
 - Programmers & Software Development Professionals.
- The occupations in highest demand remain similar to last month.

The following occupations had the largest change in job postings in December compared to November:

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

The skills in highest demand in December were:

Common skills

- Communications;
- Management; and
- Customer Service.

Specialised skills

- Project Management;
- Finance; and
- Auditing.

Public and private sector postings in December:

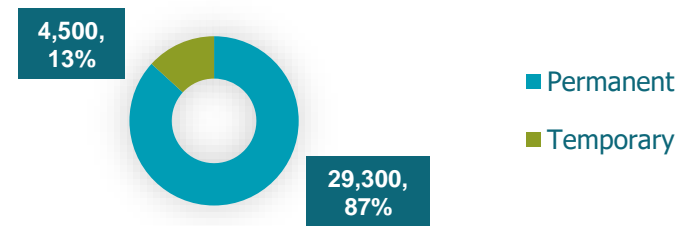
- In December, the majority of the top 10 organisations with the most job postings were private sector organisations.

¹ Lightcast (January 2024). Lightcast gathers insights from online job postings. Please note December 2023 job postings are provisional.

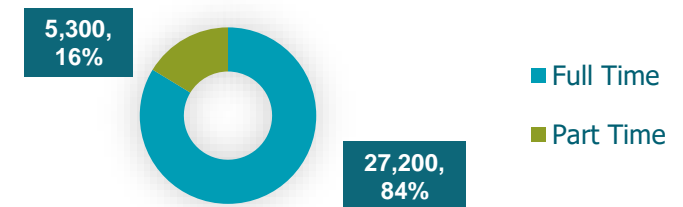
² Numbers rounded to the nearest 100.



Job Postings in Scotland, December 2023 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: CESAP Pathfinder

The Climate Emergency Skills Action Plan (CESAP) published in 2020 outlined the need for action to ensure that current and future skills investment in support of net zero is strongly evidence based. The CESAP Pathfinder is a direct response to this and has been led by Skills Development Scotland (SDS), in collaboration with the Scottish Funding Council (SFC).

Published in December 2023, the CESAP pathfinder consists of a full report and a series of supporting summary documents looking at investment, skills demand and skills provision. In this month's spotlight, we focus on these resources and the data and insights they provide.

The pathfinder aimed to establish a shared view of the volume and quality of skills evidence relating to net zero. This work focuses on the five areas of opportunity outlined in the CESAP. The sectors outlined are considered to have the greatest potential for skills implications and job growth arising from the just transition. These include **Agriculture, Construction, Energy and waste treatment, Manufacturing (including Engineering) and Transport.**

Key Findings

Identifying known investment and

understanding skills demand and levels of current skills provision are all essential components of effective skills planning. Key findings are highlighted below.

Investment

The pathfinder was able to identify that **over the next 2-3 years, £90bn worth of green investment is expected to take place in Scotland.** For more insight on investments by sector and region, the Investment Precis report is available [here](#).

Demand

The research found that in 2022, there were **690,900 people employed in CESAP sectors** (25% of Scottish employment). In the mid-term (2022-2025) demand from the need to replace workers far exceeds emerging job growth. This is aligned with all sectors across Scotland. For more insight on demand by sector and region, the Demand Precis report is available [here](#).

Provision

Skills alone will not realise the economic opportunities presented by the transition to net zero, but they are an essential component part. Evidence from the pathfinder suggests that training in courses aligned to CESAP sectors is already taking place but more is still to be done. For more insight on provision by sector and region, the Provision Precis report is available [here](#).

Current and Future Skills Challenges

Through both data analysis and industry consultations, the pathfinder found that some of the CESAP sectors are experiencing labour shortages and issues with talent attraction. The research also outlined a number of skills challenges and opportunities across the CESAP sectors now and in the future. For more insight on the challenges and opportunities, the full report and executive summary is available [here](#).

Opportunities

The pathfinder identified nine opportunities for action across the skills system to respond to the transition to net zero. More detail on the opportunities can be found in the full report [here](#).

What Next?

Partnership working has been a vital component of the pathfinder work to date. To effectively address the key gaps identified, **collaborative working will be critical** across partner agencies.



LMI resources



Regional Skills Assessments

provide a coherent evidence base to inform future investment in skills, built up from existing datasets and supplemented with regional insight.

New release October 2023. A series of webinars on the new publications will be available from November.



Sectoral Skills Assessments

provide a high-level evidence base to inform future investment in skills, built up from existing datasets and supplemented by industry insight.

New release October 2023. A series of webinars on the new publications will be available from November.



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.

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.



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