

Economy, People and Skills

November 2025



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Economy, People and Skills

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.

Skills Development Scotland also produces the **Data Matrix**, an interactive tool offering more detailed data from a variety of sources in a visually engaging format.

Find out more at the links above.

Scotland and the UK continue to face an uncertain economic environment. Although inflation and wage pressures are easing, economic output remains subdued. Labour market indicators across Scotland and the UK continue to show a weaker position compared to last year, and UK unemployment has reached the highest figure for a decade outside of the pandemic period.

The UK and Scotland labour markets are softening

At the UK level, employment measured by the Labour Force Survey (LFS) edged down to 75.0% (a 0.2 pp drop), while unemployment rose to 5.0% (up 0.3 pp), higher than the 4.9% expected by economists. Economic inactivity remained stable at 21.0%. PAYE employment data in October shows the same trend as the LFS, decreasing slightly compared to September (down 0.1%) and showing a year-on-year decrease of 0.6% relative to October 2024. Job vacancies increased for the first time after 39 consecutive quarterly decreases, rising by 0.2% to 723,000 between August and October 2025, compared to the previous quarter. This increase is driven by seasonal hiring, particularly in the Retail sector.

Scotland's labour market continues to show signs of moderation, amid persistent challenges. Between July and September 2025, LFS data showed employment decreased 0.7 pp to 74.3%. Unemployment marginally decreased to 3.7% (down 0.1 pp), while economic inactivity increased to 22.8% (up 0.8 pp). PAYE employment remained around the same (less than 0.1 pp decrease) compared to the previous month, but was down 0.6% year-on-year relative to October 2024. Job postings in Scotland remained steady, with a slight rise in October compared to the previous month (up 0.9% or 400 postings).

Price pressures ease amid sluggish growth

Wage pressures remain elevated, but there are some signs of easing. Annual growth in regular pay decreased to 4.6%

between July and September 2025, down from 4.7% in the previous quarter and 4.8% in May-July. In line with analysts' expectations inflation in the UK fell to 3.6% in October 2025, down from 3.8% in September. This decline was driven by a downward trend in gas and electricity prices. While underlying price and wage pressures appear to be easing, risks to disinflation persist. Inflation remains well above the 2% target, and previous shocks from food and energy costs may have influenced inflation expectations, potentially leading to a lasting impact on wage and price-setting behaviours.

The UK economy grew by 0.1% in Q3 2025, below analyst expectations and down from 0.3% in Q2 and 0.7% in Q1, driven by a fall in the production sector. Scotland's GDP grew by 0.2% during Q2 2025, following growth of 0.4% in the previous quarter. Growth was mainly driven by the Construction and the Services sectors. Monthly figures for 2025 show that Scotland's GDP grew by 0.7% in the three months to August 2025 (up from 0.6% in the three months to July 2025), driven by growth in Professional, Scientific and Technical Services.

Future outlook

In November, the Bank of England (BoE) held the base interest rate at 4%, in line with market expectations. Alongside inflation, the upcoming UK budget announcement on 26th November has likely influenced the BoE's decision to keep interest rates unchanged for now. The BoE's November Report predicts a gradual return to target inflation by mid-2027, with inflation expected to decrease from 3.8% in September to 3.5% by the end of 2025 and fall to close to 3% in early 2026. Forecasts continue to predict subdued economic growth with UK GDP anticipated to slow from 1.5% this year to 1.2% in 2026, before rising to 1.6% in 2027 and 1.8% in 2028.

UK and Scotland Economy - Gross Domestic Product (GDP)

UK GDP

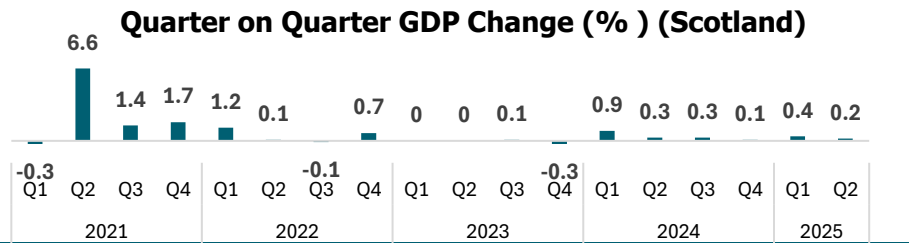
The UK economy grew by 0.1% in Q3 2025.¹ This was below the 0.2% expected by the Bank of England (BoE) and analysts surveyed by Reuters, and a noticeable slowdown from 0.3% in Q2 and 0.7% in Q1.² Slower growth in Q3 was mainly driven by the production sector which fell by 0.5%. In the three months to September GDP grew by 0.1%, following growth of 0.2% in the three months to August (revised down from growth of 0.3% in the previous publication). Monthly GDP is estimated to have fallen by 0.1% in September, following no growth in August 2025 (revised down from a growth of 0.1% in the previous publication) and an unrevised fall of 0.1% in July 2025³

Scotland GDP

Scotland’s GDP grew by 0.2% during Q2 2025, following a growth of 0.4% in the previous quarter.⁴ Growth was mainly driven by the

Construction and the Services sectors. Monthly figures for 2025 show that Scotland's GDP grew by 0.7% in the three months to August 2025 (up from the growth of 0.6% in the three months to July 2025), driven by growth in Professional, Scientific and Technical Services.⁵

The latest estimate for annual growth indicates that the Scottish economy expanded by 1.2% in 2024, up from 0.5% in 2023. Whilst an improvement over 2023, the annual growth occurred almost exclusively in Q1, rather than being consistent throughout the year.⁶



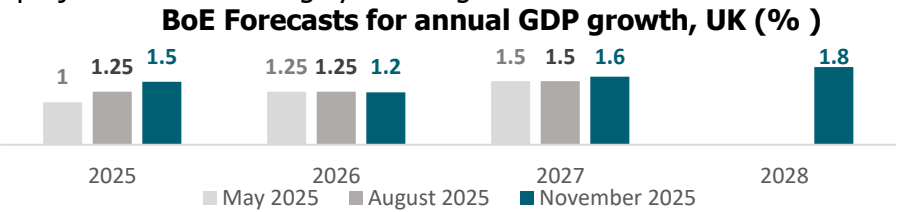
Economic Outlook

Earlier this month, the Bank of England (BoE) announced its decision to keep the base interest rate at 4%, in line with the market’s expectations. In their Monetary Policy Report (MPR), the BoE also provided updated forecasts for GDP growth that underline a slightly more optimistic short-term outlook.⁷

In a closely balanced decision (a 5-to-4 vote), the BoE held interest rates at 4% in November. Although inflation was below the expected peak of 4% in September (3.8%) and underlying price and wage pressures have continued to ease, risks to disinflation remain. Price growth persists well beyond the 2% objective and earlier spikes in food and energy prices may have anchored higher inflation expectations, potentially sustaining upward pressure on wage and price-setting practices. The upcoming UK budget announcement on the 26th November, possibly contributed to the decision to keep

interest rates unchanged for now. However, the BoE did not discard a potential rate cut in the future, as soon as next month if wage growth and inflation continue to ease.^{7,8}

November’s MRP also outlines updated forecasts for UK GDP growth, which is now expected to decrease from 1.5% in 2025 to 1.2% in 2026, before rising again to 1.6% in 2027 and 1.8% in 2028.⁷ BoE has upgraded its August 2025 forecast by 0.25 percentage points, marking the third upward revision this year. Medium and long-term projections remain largely unchanged.



¹ ONS. [GDP first quarterly estimate, UK: July to September 2025](#) (November 2025).
² FT. [UK economy unexpectedly contracted by 0.1% in September](#) (November 2025).
³ ONS. [GDP monthly estimate, UK: September 2025](#) (November 2025).
⁴ Scottish Government. [GDP Quarterly National Accounts: 2025 Quarter 2 \(April to June\)](#) (October 2025).
⁵ Scottish Government. [GDP Monthly Estimate: August 2025](#) (October 2025)
⁶ Scottish Government. [GDP Quarterly National Accounts: 2024 Q4 \(October to December\)](#) (April 2025)
⁷ BoE. [Monetary Policy Report](#) (November 2025).
⁸ FT [Bank of England keeps rates on hold at 4% in knife-edge decision](#) (November 2025).

Inflation and the Cost of Living



Price pressures easing, but still present

The Business Insights and Conditions Survey (BICS)¹ found that **20% of Scottish businesses reported price increases for goods and services bought in September compared with August 2025**, a fall from the previous month (22%) and the lowest level in 8 months.

A similar decrease was seen in the proportion of businesses that increased the prices of goods and services sold (6.8% down from 7.6%)

While price pressures appear to be easing, businesses continue to struggle with ongoing cost challenges. Labour costs remain the most common source of price pressures, with **32.6% of businesses considering raising prices due to labour costs**.



Consumer confidence shows some signs of improvement

In Q3 2025, the Scottish Consumer Sentiment Indicator increased by 0.6 points to -8.3.² However, compared to Q3 2024, sentiment has weakened significantly, with the indicator down by 8.1 points. It also remains below the quarterly series average of -2.1.

At the UK level confidence is also improving. GfK's long-running Consumer Confidence Index increased by two points to -17 in October.³ **Most measures were up in comparison to last month's report**, except for Personal Financial Situation over the next 12 months, which decreased by one point.



Inflation fell to 3.6% in October, in line with expectations

Inflation in the UK fell to 3.6% in October 2025, down from 3.8% in September.⁶ This was in line with what analysts expected.⁷

The decline in October's inflation was driven by housing and household services, reflecting a more modest increase in gas and electricity prices compared to last year.

Core inflation fell to 3.4% in October 2025 (down from 3.5% in September). **Services inflation also fell to 4.5%**, below economists' expectations (4.6%) and down from 4.7% in September. These are key measures for the Bank of England.

Inflation forecast

The UK inflation outlook was revised in the Bank of England's November Monetary Policy Report.⁸ CPI inflation, which held at 3.8% in September, is now expected to ease to 3.5% by the end of 2025. The Bank projects inflation to fall close to 3% in early 2026 and return to the 2% target by mid-2027. This marks a slightly faster disinflation path in the short term compared to the August projections, which anticipated a peak of 4% in September; however, the outlook for 2026 and 2027 remains almost unchanged.

The projected fall to 3% in coming quarters is mainly attributed to lower expected contributions from energy and food prices, along with a slowdown in services inflation as earlier cost pressures, like higher employer National Insurance and regulated prices, start to fade and wage growth cools. The forecast also assumes that the recent rise in inflation will not cause further knock-on effects that push up prices again. The return to the 2% target in the medium term assumes a margin of economic slack (the difference between actual and potential GDP) will push down inflation, partly reflecting the restrictive stance of monetary now both now and in the past.

BoE – Modal CPI Inflation Projection (%)



¹ Scottish Government. [BICS weighted Scotland estimates: data to wave 142](#) (October 2025).

² Scottish Government [Scottish Consumer Sentiment Indicator: 2025 Quarter 3](#) (October 2025)

³ GfK [UK Consumer confidence increases two points in October to -17](#) (October 2025)

⁶ ONS. [CPI, UK: October 2025](#) (November 2025).

⁷ FT. [UK inflation falls to 3.6% in October](#) (November 2025)

⁸ BoE. [Monetary Policy Report](#) (November 2025).

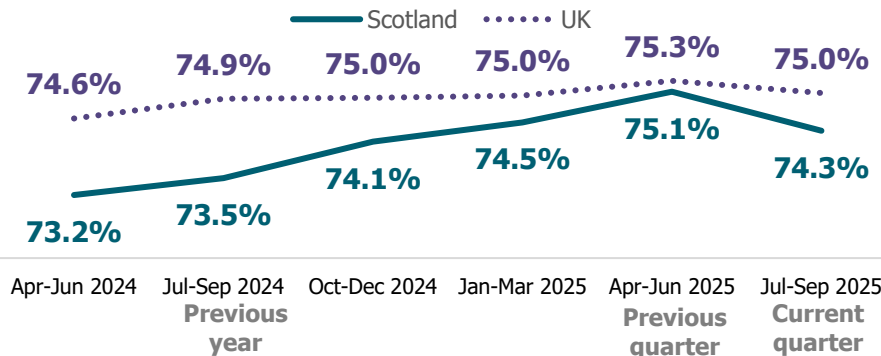
The ONS published revised LFS estimates from 2011 for the UK (except for youth unemployment, which is from 2019) and from 2019 for Scotland in December 2024. The revised data incorporates new population estimates, including the Scottish 2022 Census, helping to make LFS estimates more representative. 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

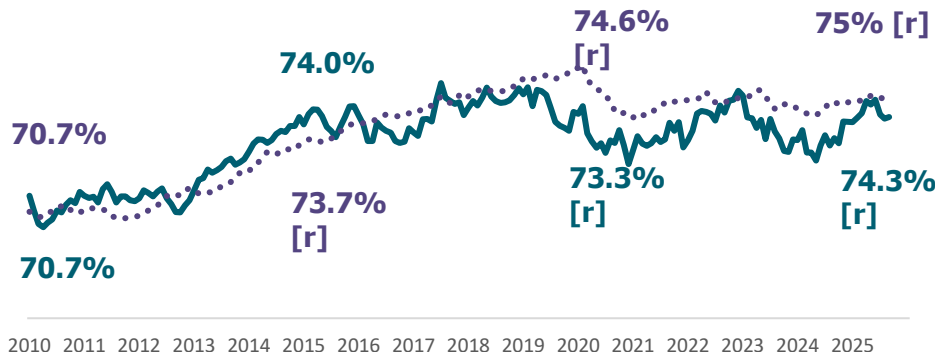
➤ **Scotland's employment rate was estimated to be 74.3%**

- The latest data suggests Scotland's employment rate was **74.3%** in the period covering July to September 2025. The rate decreased compared with the previous quarter (0.7 pp decrease).*

Employment Rate



Employment Rate: Longer-term trend

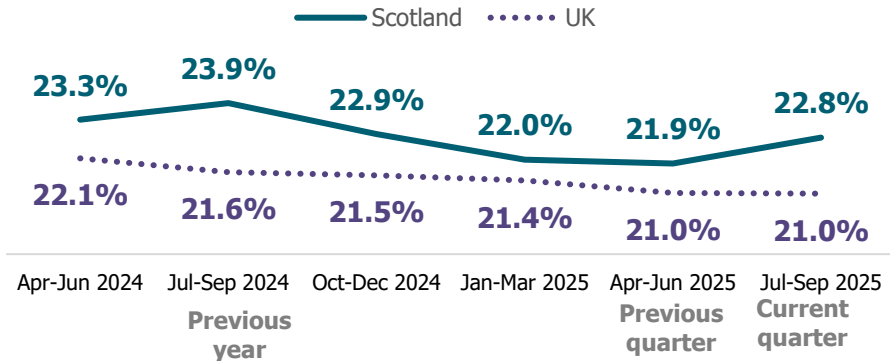


Economic Inactivity (16-64)¹

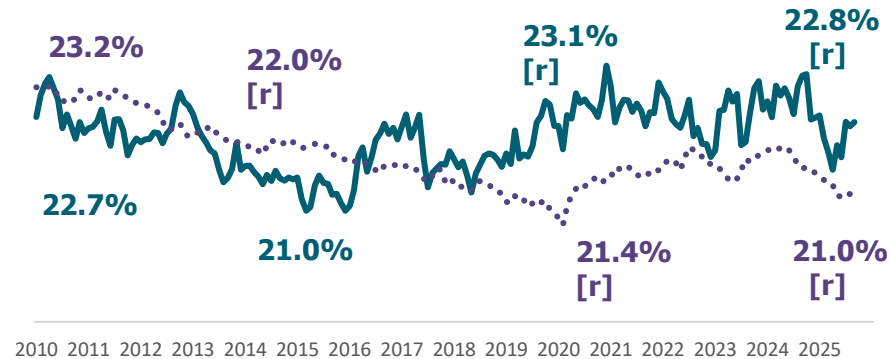
➤ **The 16-64 Scottish economic inactivity rate was estimated to be 22.8%**

- The latest data suggests that Scotland's economic inactivity rate was **22.8%** in July to September 2025. The economic inactivity rate was 0.8 pp higher than last quarter.*

Economic Inactivity Rate



Economic Inactivity Rate: Longer-term trend



¹ ONS, Labour Force Survey (11th November 2025).

*Figures may not sum due to rounding.

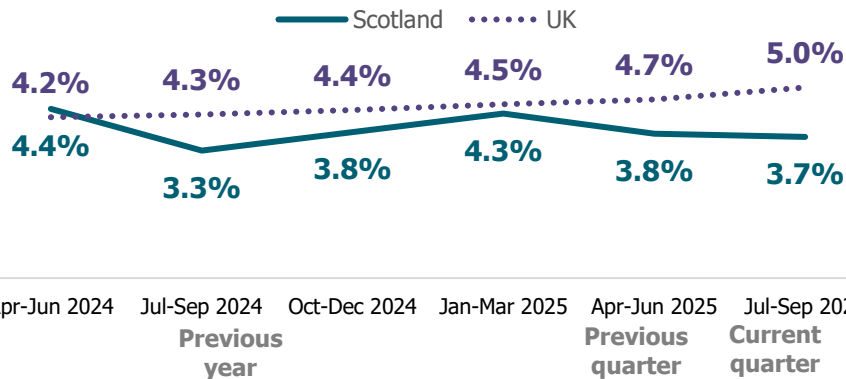
The ONS published revised LFS estimates from 2011 for the UK (except for youth unemployment, which is from 2019) and from 2019 for Scotland in December 2024. The revised data incorporates new population estimates, including the Scottish 2022 Census, helping to make LFS estimates more representative. 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

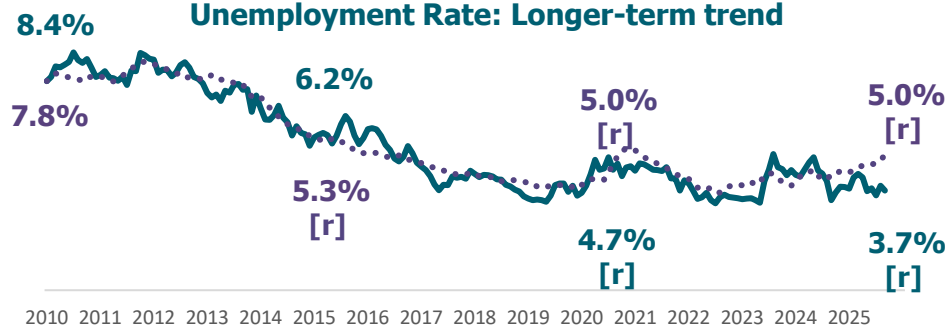
➤ **Unemployment in Scotland was estimated to be 3.7%**

- The latest data suggests Scotland's unemployment rate was **3.7%** in the period covering July to September 2025. This is a decrease of 0.1 pp compared with the last quarter.*

Unemployment Rate



Unemployment Rate: Longer-term trend

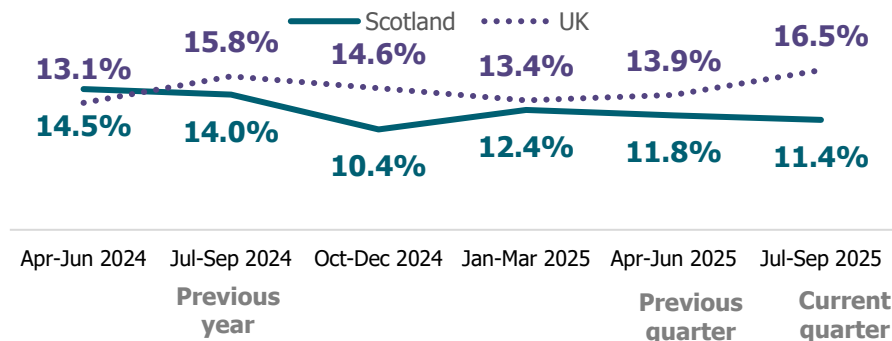


Youth Unemployment (16-24)^{1,2}

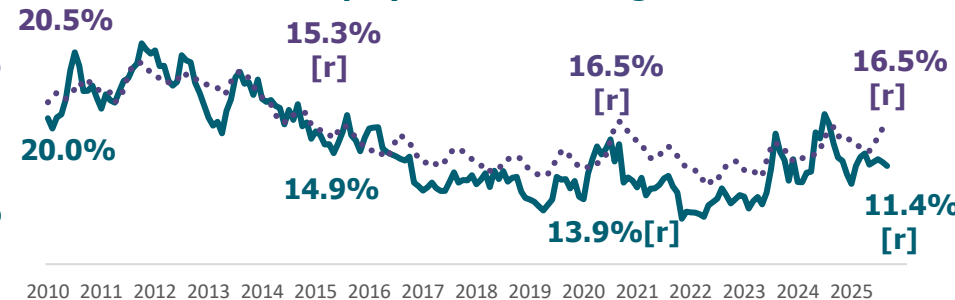
➤ **16-24 youth unemployment in Scotland was estimated to be 11.4%**

- The latest data estimates that Scotland's youth unemployment rate was **11.4%** in the period covering July to September 2025.* This is lower than the same period of the previous year (2.6 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



Youth Unemployment Rate: Longer-term trend



¹ ONS. Labour Force Survey (11th November 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 and has been declassified from official statistics. The Scottish Government has also recently noted "limited confidence" in APS unemployment in youth unemployment estimates for Scotland). Please find analysis of the Scottish youth labour market using APS data [here](#).

Universal Credit¹ and Claimant Count Rate²

686,800

people claiming Universal Credit in Scotland in October 2025

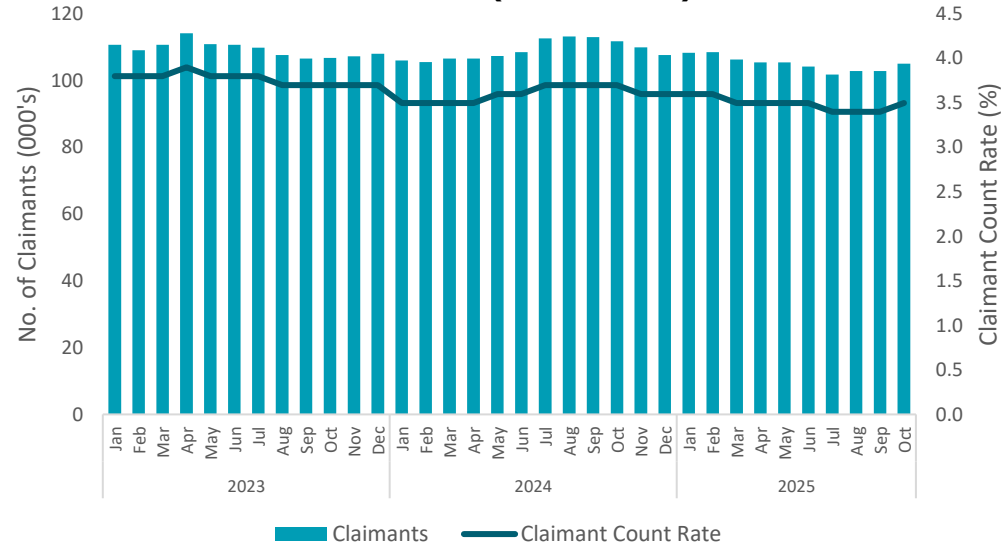
Between September and October 2025, 13,200 additional people in Scotland claimed Universal Credit, an increase of 2.0%. This continues a trend of increase from June 2022. The overall rise has been driven by an increase in claimants not in work.¹ Since January 2023, the proportion of claimants in work has ranged from 30% to 38%. As noted in the [September 2024](#) spotlight, migration from legacy benefits is likely to be a factor contributing to the increase in people claiming Universal Credit.

3.5%

Claimant Count rate in Scotland in October 2025 (105,100 claimants)

Between September and October 2025, the Claimant Count increased. The number of claimants increased by 2,200, whilst the Claimant Count rate increased 0.1 pp, from 3.4% to 3.5%. The Claimant Count rate has fallen from 4.7% in January 2022, but there has been some recent fluctuation in trends.

Claimant Count: No. of Claimants (thousands) and Rate (%), Scotland (2023 to 2025)



Redundancies³ and Company Insolvencies⁴

4,000*

Redundancies in the three months to September 2025 in Scotland

1.6*

Redundancies per 1,000 people (4.5 in the UK)

The number of people who were made redundant in Scotland remained broadly the same in the three months to September 2025 compared with the three months to September 2024.

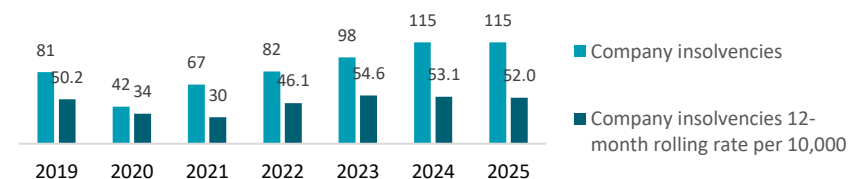
*Please note estimates are based on a small sample and should be used with caution.

115

Company insolvencies in Scotland, October 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, and for October 2025 the number of insolvencies and 12-month rolling rate of insolvencies was higher than in September 2019.

Company Insolvencies (Scotland), October



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

² ONS. Claimant Count (November 2025). *Experimental statistics*. October data is provisional.

³ ONS. Labour Force Survey (11th November 2025).

⁴ The Insolvency Service. [Monthly Insolvency Statistics, October 2025](#) (November 2025).

Job Postings in Scotland^{1,2}

Provisional data for October suggests that online job postings in Scotland increased compared with September, rising to 43,400.

Postings increased by 0.9% or 400 compared with September and increased by 6.0% or 2,400 compared with October 2024. While, the three-month-rolling average increased by 3.6% for August to October compared with July to September.

The highest demand in October was for occupations such as:

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

The occupations in highest demand remain broadly similar to last month.

The following occupations had the largest change in job postings in October compared with September:

Increase:

- Project Support Officers (+400);
- Roundspersons and Van Salespersons (+200); and
- Care Workers and Home Carers (+200).

Decrease:

- Programmers and Software Development Professionals (-200);
- Customer Service Occupations (-100); and
- Chartered and Certified Accountants (-100).

The skills in highest demand in October were:

Common skills

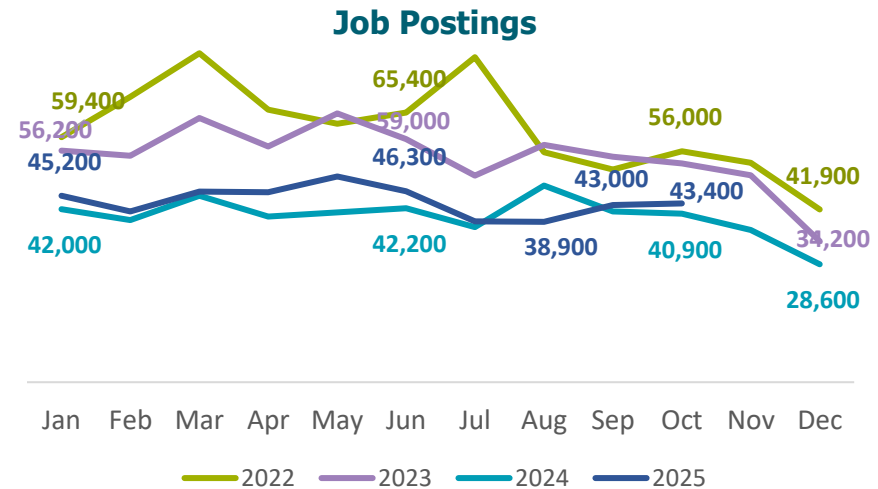
- Communication;
- Customer Service; and
- Management.

Specialised skills

- Project Management;
- Continuous Improvement Process; and
- Auditing.

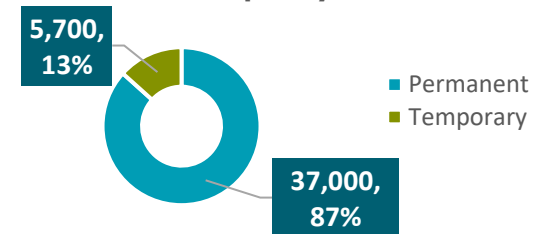
Public and private sector postings in October:

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

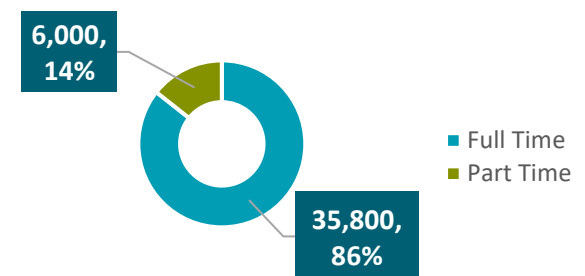


Job Postings in Scotland, October 2025

Permanent and Temporary*



Full Time and Part Time*



¹ Lightcast (November 2025). Lightcast gathers insights from online job postings.

² Numbers rounded to the nearest 100.

*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: Latest Labour Market Insight for Regions and Sectors

Alongside the Economy, People and Skills report, SDS publishes a wider suite of resources, including **Regional Skills Assessments (RSA)**, **Sectoral Skills Assessments (SSA)**, **Scotland's Labour Market Drivers** report, and our **interactive Data Matrix**. The latest RSAs and SSAs were published at the end of October, accompanied by the updated Data Matrix. This month's spotlight highlights these resources and the valuable data and insights they provide.

Regional Skills Assessments

Regional Skills Assessments (RSAs) cover 23 areas across Scotland, offering a detailed picture of the distinctive characteristics of each regional economy. Our RSAs cover all College Regions, City and Growth Deal Regions and Rural Scotland.

Published annually and built from existing datasets and forecasts, the RSAs provide a robust and consistent evidence base to support strategic skills investment planning.

This year, the RSAs have been enhanced with:

- **Region's People Spotlight** – Highlighting population trends across each region.
- **Granular Forecast Data** – More detailed forecasts for total requirement, presented with an intersection by both industry and occupation.

The RSAs provide a valuable resource for exploring information on regional economies and labour markets, and can help you answer questions such as:

- What are the top employing occupations and industries in my region?
- How many and what kind of jobs are being advertised by employers in my area?

- What is the demand for green jobs in my region?
- Which industries and occupations will have the greatest demand for people in the mid and longer term?

Our RSAs also include important regional-specific insight on economic opportunities, regional skills plans, and how drivers of the Scottish labour market affect regional economies.



[Click here to access the RSAs](#)

RSA Summary Infographics

Complementing the RSA reports, the interactive RSA Summary Infographics provide engaging visualisations covering the core indicators of forecast data that can be found in the RSA reports, down to the **local authority level**.

RSA Summary Infographics provide data on Economic Performance, Productivity, Employment Demand for now and in the future and Top Employing Industries and Occupations for the selected area. The infographics support strategic planning by making complex data accessible and actionable.



[Click here to access the Summary Infographics](#)

Sectoral Skills Assessments

In addition to RSAs, which focus on Scotland's regions, SDS also produces **Sectoral Skills Assessments (SSAs)**, offering a sector-based view of labour market trends.

Spotlight: Latest Labour Market Insight for Regions and Sectors

Published annually, the latest release of the SSAs covers 15 of Scotland's key sectors, including Construction, Health Care, and Digital Technologies. They provide insights into job postings, and current and projected workforce demand, helping answer questions such as:

- What is the future demand for people in each sector?
- What occupations are forecast to grow in each sector?
- Where in Scotland are people in this sector employed?
- What is the qualification level within the sector?

This year, the SSAs have been enhanced with:

- **Digital Practitioners Spotlight** - New insights based on SDS research on the Digital economy.



[Click here to access the SSAs](#)

Scotland's Labour Market Drivers

To supplement the RSA and SSA publications, Scotland's Labour Market Drivers paper has been updated. This publication explores the key elements that are shaping the country's labour market. It identifies five strategic drivers. Each affects the labour market in distinct ways, yet their combined effects are also significant. They are:



The Economy



Inclusion and Equality



Demographic Change



Technology and Automation



Climate Change and Net Zero

It **highlights** the need for a responsive skills system to tackle challenges, support investment, and promote equality. The report offers evidence and insights to guide policy and workforce planning.



[Click here to access Scotland's Labour Market Drivers Report](#)

Data Matrix

The Data Matrix is an interactive tool, providing more detailed data from a variety of sources in a visually engaging format. It is updated frequently and includes data that is covered by three main themes:

- **Skills supply** – the supply of people in the labour market, including population data, employment, unemployment and economic inactivity rates.
- **Skills demand** – the demand for skills within the labour market, including data on employment by occupation and industry, job postings, economic output, and the forecast demand for workers up to 2035 by industry and occupation.
- **Skills Mismatches** – showing where there are skills gaps or skills shortages in the labour market, including data from the Scottish Employer Skills Survey.



[Click here to access the Data Matrix](#)



SDS recently celebrated **Scottish Careers Week** (10–14 Nov), promoting quality careers advice and guidance. Labour market tools like the Regional and Sectoral Skills Assessments and the Data Matrix provide local and sectoral insights, helping practitioners guide individuals toward current and emerging opportunities.

LMI resources



Regional Skills Assessments and Sectoral Skills Assessments

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

New updates have been published at the end of October 2025.



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