

Economy, People and Skills

October 2026



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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.

Recent labour market conditions remained relatively unchanged in the UK, while data for Scotland suggests further signs of softening. The Fraser of Allander Institute, the Organisation for Economic Co-operation and Development and the International Monetary Fund published updated forecasts for the Scottish and UK economies, with all three organisations indicating a slightly stronger near-term outlook than previously anticipated, although growth is still expected to remain modest.

The UK labour market shows little change but remains weaker than a year ago, while conditions in Scotland continue to soften.

UK labour market conditions were broadly unchanged over the quarter but remained weaker than the previous year. While employment rose modestly to 75.3% (+0.2 pp), and both unemployment and economic inactivity edged down (-0.1 pp), labour demand continued to soften. Payrolled employment remained lower than last year (-0.2%) and vacancies fell by 2.9% to 691,000. This was the first time vacancies had dropped below 700,000 since early 2021, highlighting ongoing cooling in hiring activity.

In Scotland labour market conditions continued to soften in the three months to August 2026. Employment fell to 74.0%, while economic inactivity rose by 0.8 percentage points to 22.6%, indicating reduced labour market engagement. PAYE employment fell by 0.2% in September compared with a year earlier. Provisional data on job postings in Scotland showed that the three-month rolling average measure decreased 6.9% in the period July to September 2026.

Young people across Scotland and the UK continue to face a challenging labour market. Youth unemployment in Scotland rose to 13.8% in June to August 2026, up 2.1 percentage points from a year earlier, while the UK rate remained elevated at 16.5%, 0.8 percentage points higher

than the same period last year. These figures should be interpreted with caution, however, as Labour Force Survey (LFS) data are no longer classified as accredited statistics.

Inflation rose to its highest level in almost a year.

Inflation rose from 3.1% to 3.5% in September, exceeding expectations, largely driven by higher motor fuel costs. Annual regular pay growth in Great Britain also increased to 3.7% in the three months to August 2026 (+0.3 percentage points compared with the previous quarter).

The UK economy has remained relatively resilient in 2026 despite a challenging political backdrop.

UK GDP growth eased slightly to 0.5% in Q2 2026, which whilst stronger than initially estimates was down from 0.6% in the previous quarter. Scotland's economy gained momentum in Q2 2026, with GDP growing by 0.8%, following a revised growth of 0.3% in Q1.

Future outlook.

Recent forecasts from the Fraser of Allander Institute (FAI), Organisation for Economic Co-operation and Development (OECD), and International Monetary Fund (IMF) suggest a more resilient outlook for the Scottish and UK economies than previously anticipated. All three organisations have revised their growth expectations for 2026 upwards following stronger-than-expected economic performance earlier this year, although the outlook remains relatively subdued by historical standards. While the upgrades point to greater resilience in economic activity, they caution significant uncertainty remains, particularly given ongoing global economic and geopolitical challenges.

Attention is also turning to the forthcoming UK Autumn Budget and Scottish Budget, which are expected to focus on managing fiscal pressures, and will aim to help shape the outlook for growth, taxation and public spending in the years ahead.

UK and Scotland Economy - Gross Domestic Product (GDP)

UK GDP

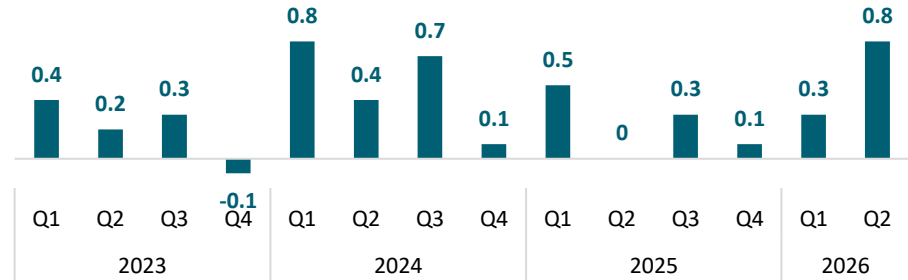
UK GDP is estimated to have grown by 0.5% in Q2 2026 (revised up from 0.4% in the previous estimate), following unrevised growth of 0.6% in Q1 2026.¹ GDP grew by 0.7% in the three months to August 2026, following growth of 0.5% in the three months to July 2026 and a growth of 0.5% in the three months to June 2026. In August, monthly GDP grew by 0.1%, following unrevised growth of 0.4% in July, and 0.4% in June.² Annual GDP is estimated to have increased by a revised 1.2% in 2025, following growth of 1.0% in 2024.³

Scotland GDP

There was a 0.8% increase in Scotland’s GDP during Q2, (revised up from the first estimate of 0.7%), following a revised estimate of 0.3% growth in Q1.⁴ Monthly figures show that in the three months to July 2026 Scotland’s GDP grew by 0.7%, following unrevised growth of

0.7% in the three months to June. Monthly GDP is estimated to have grown by 0.1% in July 2026, following 0.3% growth in June.⁵ Scotland’s real GDP grew 1.2% in 2025, following a revised growth of 1.6% in 2024 and unrevised growth of 0.7% in 2023.⁴

Quarter on Quarter GDP Change (%) (Scotland)



Economic Outlook

At the end of September, the Fraser of Allander Institute (FAI) published its Q3 2026 Economic Commentary, providing updated forecasts for the Scottish economy. The Organisation for Economic Cooperation and Development (OECD) also released its latest Economic Outlook, while the International Monetary Fund (IMF) updated its projections in the October 2026 World Economic Outlook. In all three cases, growth forecasts for 2026 were revised upward relative to earlier projections.^{6,7,8}

The FAI revised its outlook for the Scottish economy in its September 2026 Economic Commentary, forecasting GDP growth of 1.1% in both 2026 and 2027, rising to 1.2% in 2028. ⁶ Compared with its June 2026 forecasts, this represents a modest upward revision across the forecast period, with expected growth increasing from 0.9% to 1.1% in 2026, from 1.0% to 1.1% in 2027, and from 1.1% to 1.2% in 2028. These adjustments to the forecasts reflect the FAI's view that recent economic data has provided greater confidence in the

resilience of the Scottish economy, with relatively strong GDP growth in the first half of 2026, despite ongoing geopolitical uncertainty and rising cost pressures.

Recent forecasts from both the OECD and IMF also suggest the UK economy has been more resilient than previously expected. The OECD revised its 2026 GDP growth forecast up from 0.9% to 1.1%, reflecting stronger recent economic activity⁷, while the IMF increased its forecast from 0.8% to 1.3% citing continued support from technology- and AI-related investment and exports.⁸ However, the OECD lowered its 2027 forecast slightly from 1.1% to 1.0%, and both organisations emphasise that the outlook remains subject to significant uncertainty linked to global economic and geopolitical developments.

All organisations caution that significant uncertainty remains and current estimates are likely to be revised as further data becomes available.

¹ ONS [GDP quarterly national accounts, UK: April to June 2026](#) (September 2026).
² ONS [GDP monthly estimate, UK: August 2026](#) (October 2026).
³ ONS [GDP quarterly national accounts, UK: January to March 2026](#) (June 2026).
⁴ Scottish Government [GDP Quarterly National Accounts: 2026 Quarter 2 \(April to June\)](#) (Oct 2026).

⁵ Scottish Government [GDP Monthly Estimate: July 2026](#) (September 2026).
⁶ FAI [Economic Commentary Q3 2026](#) (September 2026).
⁷ OECD [Economic Outlook, Interim Report, Weathering Successive Shocks](#) (September 2026).
⁸ IMF [World Economic Outlook](#) (October 2026).

Inflation and the Cost of Living



Business activity improves across Scotland and the UK, despite continued uncertainty

The FAI published its Q3 Scottish Business Monitor (SBM).¹ **Business activity improved** across all six indicators and sales returned to positive territory for the first time since Q2 2024, **although firms remained cautious about the outlook.** Economic and business uncertainty remained a concern for 99% of firms, while 82% reported rising costs.

In October, **the headline S&P Global Flash UK PMI increased 1.1 points to 53.1**, an 8-month high signalling a solid increase in private sector activity.² Growth strengthened across both manufacturing and services, with manufacturing output expanding at its fastest pace in just over two years.

¹ FAI [Scottish Business Monitor Q3 2026](#) (October 2026).

² S&P [Global Flash UK PMI](#) (October 2026).

³ Scottish Government [Scottish Consumer](#)



Consumer confidence remains subdued, with a sharp decline across the UK

In August, the Scottish Consumer Sentiment Indicator rose by 2 points from July to -6.8, driven mainly by improvements in perceptions of household finances and spending. Despite this, sentiment remains negative, indicating that confidence among Scottish households continues to be subdued.³

UK consumer sentiment is deteriorating further, with the S&P Global UK index falling for a third consecutive month to 41.3 in September, its lowest level since July 2023.⁴ The GfK Consumer Confidence Index also fell sharply, declining by 11 points to -24 in October.⁵ This represented an unusually large monthly fall, with the last decline of a similar magnitude recorded in July 2016, following the Brexit vote.

[Sentiment Indicator: Monthly Data](#) (September 2026).

⁴ S&P [Global UK Consumer Sentiment Index](#)

(September 2026).



UK inflation increased to 3.5% in September

Inflation increased to 3.5% in August.⁶ This is up from 3.1% in August and higher than economists' predictions.⁶

Transport, particularly motor fuels, was the largest contributor to the monthly increase.⁶

Underlying inflationary pressures also increased in September. Core inflation rose from 2.6% to 2.8%, while services inflation increased from 3.4% to 3.7%.⁶

These are key measures monitored by the Bank of England (BoE).

⁵ GfK [Consumer Confidence plunges 11 points to -24 in October](#) (October 2026); FT ['Relentless' cost of living pressures behind collapse in UK consumer confidence](#) (October 2026).

Inflation forecast

The latest inflation projections from the BoE were published on 30th July 2026.⁷ These include a central projection as well as two alternative scenario projections, milder and adverse, which estimate how the outlook might differ given the current context of uncertainty with regard to global energy prices and second-round effects.

According to the central projection, higher energy prices are expected to push inflation up in the near term, with the rate projected to rise to around 3.2% in Q4 2026. It is then expected to decline, reaching 2.6% in Q3 2027, before falling below the 2% target during 2028 and stabilising around 1.9% from Q4 2028. In summary, while higher energy prices are expected to increase inflation in the near term, the Bank expects the rate will return to around the 2% target in 2028.

BoE – Central Inflation Projection (%)



⁶ ONS [CPI, UK: September 2026](#) (October 2026); FT [UK inflation and borrowing top forecasts in blow to John Healey](#) (October 2026).

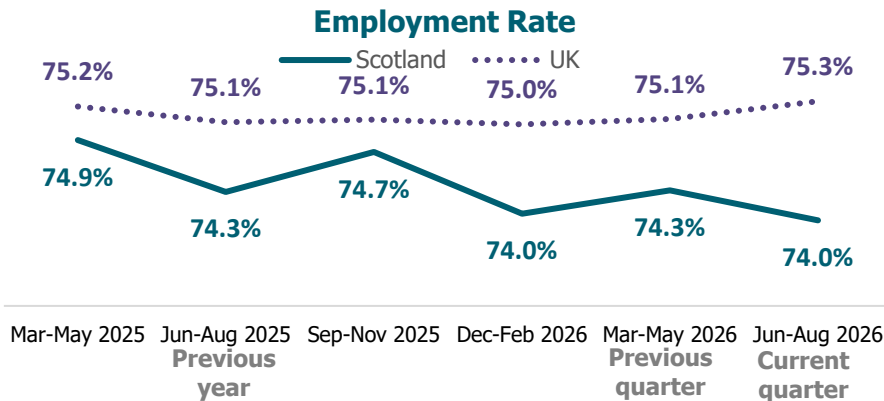
⁷ BoE [Monetary Policy Report](#) (July 2026).

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.

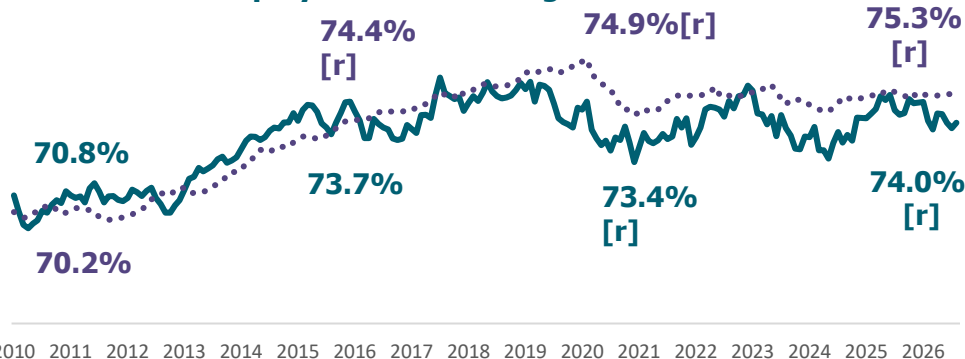
Employment Rate (16-64)¹

➤ **Scotland's employment rate was estimated to be 74.0%**

- The latest data suggests Scotland's employment rate was **74.0%** in the period covering June to August 2026. The rate decreased compared with the previous quarter (-0.4 pp).*



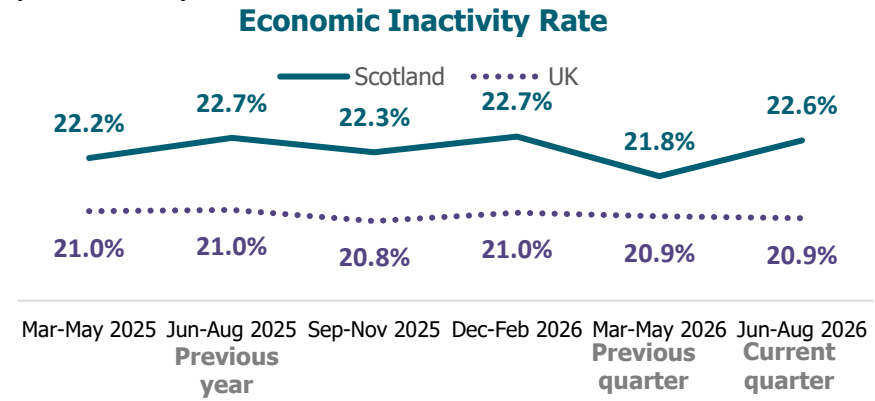
Employment Rate: Longer-term trend



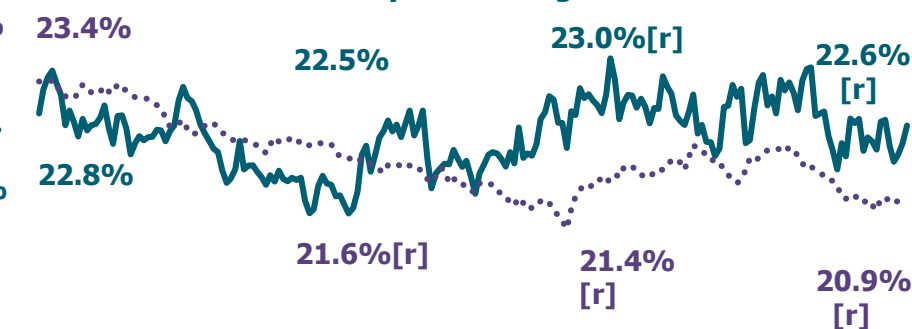
Economic Inactivity (16-64)¹

➤ **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 June to August 2026. The economic inactivity rate increased compared with the previous quarter (0.8 increase).*



Economic Inactivity Rate: Longer-term trend



¹ ONS, Labour Force Survey (20th October 2026).

*Figures may not sum due to rounding.

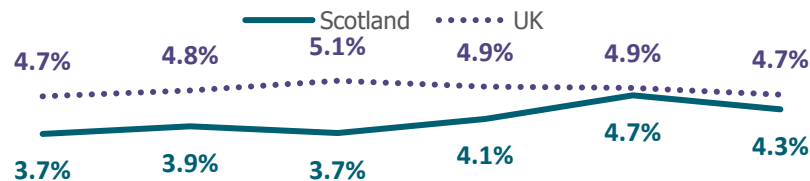
The ONS published revised LFS estimates from 2011 for the UK (except for youth unemployment, which is from 2019) and from 2019 for Scotland in December 2024. The revised data incorporates new population estimates, including the Scottish 2022 Census, helping to make LFS estimates more representative. 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 4.3%**

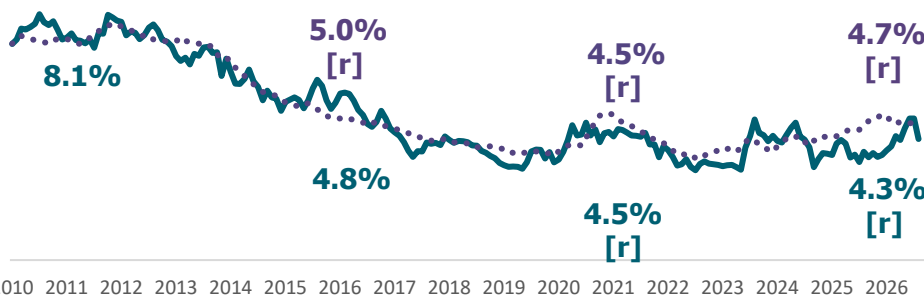
- The latest data suggests Scotland's unemployment rate was **4.3%** in the period covering June to August 2026. This is a decrease of 0.4 pp compared with the last quarter.*

Unemployment Rate



Mar-May 2025 Jun-Aug 2025 Sep-Nov 2025 Dec-Feb 2026 Mar-May 2026 Jun-Aug 2026
Previous year Previous quarter Current quarter

Unemployment Rate: Longer-term trend

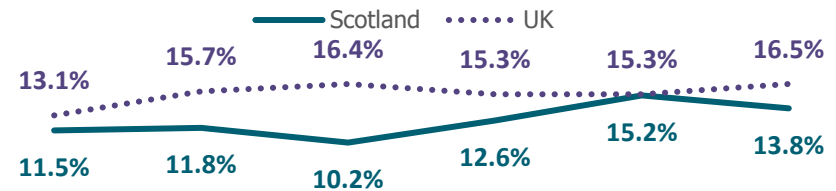


Youth Unemployment (16-24)^{1,2}

➤ **16-24 youth unemployment in Scotland was estimated to be 13.8%**

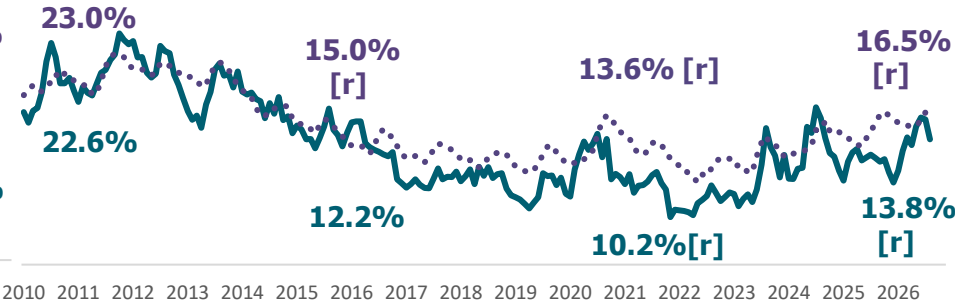
- The latest data estimates that Scotland's youth unemployment rate was **13.8%** in the period covering June to August 2026.** This is higher than the same period the previous year (2.1 pp increase*), but it is important to note the declassification of LFS data and the small sample sizes that youth unemployment is based on.**

Youth Unemployment Rate



Mar-May 2025 Jun-Aug 2025 Sep-Nov 2025 Dec-Feb 2026 Mar-May 2026 Jun-Aug 2026
Previous year Previous quarter Current quarter

Youth Unemployment Rate: Longer-term trend



¹ ONS. Labour Force Survey (20th October 2026). ² Please note: Youth Unemployment should only be compared to the previous year.

*Figures may not sum due to rounding. **Subject to some sampling variability. 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 youth unemployment estimates for Scotland). Please find analysis of the Scottish youth labour market using APS data [here](#).

Universal Credit¹ and Claimant Count Rate²

697,300

people claiming Universal Credit in Scotland in May 2026

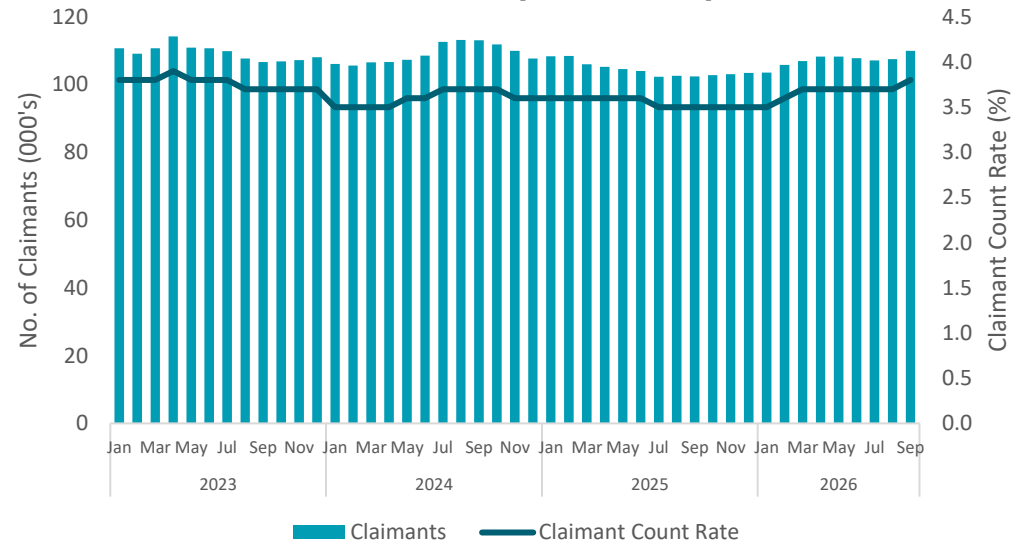
Between April and May 2026, 3,300 additional people in Scotland claimed Universal Credit, an increase of 0.5%.¹ This represents an increase of 68,300 (or 10.9%) with respect to May 2025.

3.8%

Claimant Count rate in Scotland in September 2026 (110,000 claimants)

Between August and September 2026, the Claimant Count increased by 0.1 pp. 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 2026)



Redundancies³ and Company Insolvencies⁴

13,000*

Redundancies in the three months to August 2026 in Scotland

5.5*

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

The number of people who were made redundant in Scotland increased by 9,800* in the three months to August 2026 compared with the three months to August 2025.

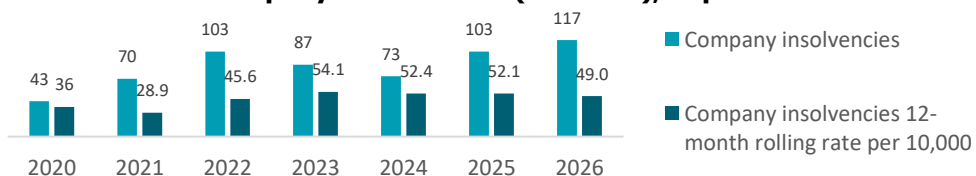
*Please note estimates are based on a small sample and should be used with caution.

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Company insolvencies in Scotland, September 2026

Following a reduction during the pandemic, company insolvencies have since increased. In September 2026, the number of insolvencies and 12-month rolling rate of insolvencies were higher than in September 2020. With respect to August the number of company insolvencies increased slightly, but the 12-month rolling rate decreased in September.

Company Insolvencies (Scotland), September



³ ONS. Labour Force Survey (20th October 2026).

⁴ The Insolvency Service. [Monthly Insolvency Statistics, September 2026](#) (October 2026).

¹ Department for Work and Pensions (August 2026). From May 2026, Universal Credit statistics have been released on a quarterly basis each February, May, August and November. From the release on 12 May 2026, the People on Universal Credit data series has been updated to include self-employment information as part of the Employment Indicator field.

² ONS. Claimant Count (October 2026). Experimental statistics. September data is provisional.

Job Postings in Scotland^{1,2}

Provisional data for September indicates that the three-month rolling average job postings measure decreased by -6.9% in the period July-September 2026 compared with June-August. Online job postings in Scotland increased by 3.8% or 1,700 in September compared with August, rising to 46,400. Temporary roles made up 13.7% of job postings in Scotland in September, increasing by 3.4 pp compared to August 2026 but decreasing by 0.2 pp compared with September 2025.

The highest demand in September was for occupations such as:

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

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

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

Increase:

- Social Workers (+200);
- Teaching Assistants (+200); and
- Kitchen and Catering Assistants (+200).

Decrease:

- Project Support Officers (-200);
- Other Registered Nursing Professionals (-200); and
- Programmers and Software Development Professionals (-100).

The skills in highest demand in September were:

Common skills

- Communication;
- Customer Service; and
- Management.

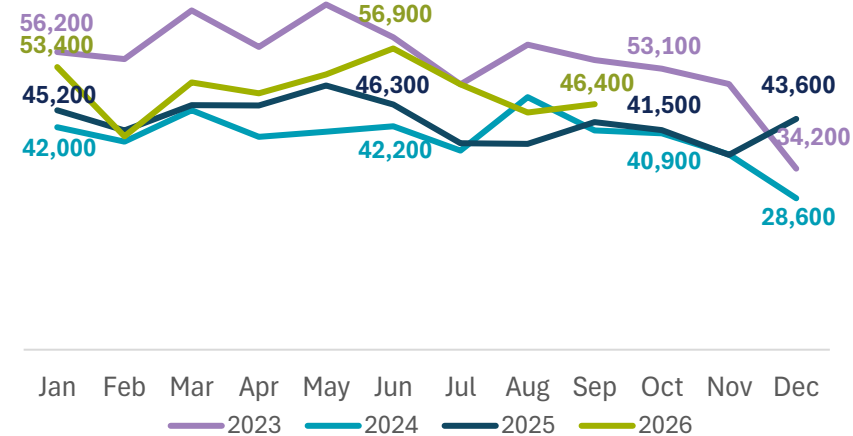
Specialised skills

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

Public and private sector postings in September:

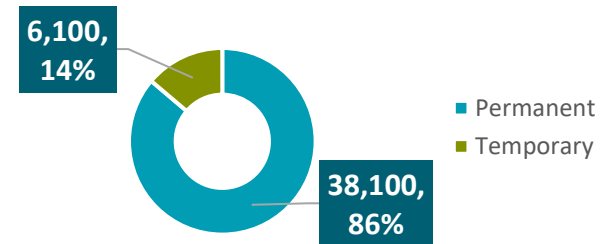
- In September, the top 10 organisations with the most job postings were mostly public sector organisations.

Job Postings

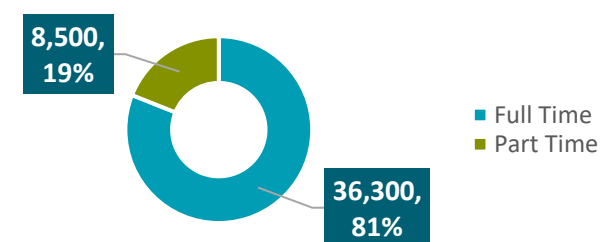


Job Postings in Scotland, September 2026

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 (October 2026). Lightcast job postings data are subject to retrospective revision. As a result, figures and percentage changes reported here may differ from those published in previous reports.

² Numbers rounded to the nearest 100.

LMI resources



Regional Skills Assessments and Sectoral Skills Assessments

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

New updates were published at the end of October 2026.



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.



Spotlight on AI, explores how employers are using and adopting AI, the opportunities they see, and the challenges they face.



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:

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