

# Economy, People and Skills

November 2023



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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 outlook remains challenging, as high interest rates affect the economy. Falling demand has impacted the labour market, and indicators point to slowing recruitment. Inflation has fallen sharply, but interest rates are expected to remain elevated for a sustained period.**

### **Experimental labour market statistics have been produced for Scotland**

The Office for National Statistics (ONS) has continued to publish, in the place of the Labour Force Survey (LFS), experimental statistics on employment, unemployment and economic inactivity. Experimental statistics were produced for Scotland for the first time this month, as well as the UK. The data should, however, be used with caution due to its experimental nature.

These statistics show that between July and September 2023 there has been limited change in Scotland's labour market compared to the previous quarter. Scotland's unemployment rate was estimated to be 3.9%. The employment rate is estimated to be 74.3% and economic inactivity 22.7%.

### **The labour market is continuing to cool**

The data indicates that demand for workers in Scotland continues to ease. Job postings decreased in October by 4%. This follows a relatively consistent decline since May 2023. The RBS jobs report also found that both permanent and temporary vacancies fell again in October. Commentators have explained that the decline in vacancies is due to the labour market returning to more normal conditions and a weaker economic outlook.

### **Business outlook remains challenging**

Purchasing Managers Index (PMI) data showed a

continuing downward trend in Scottish business activity in October due to challenging economic conditions. Real time insights for the UK are beginning to indicate that company redundancies and restructuring may have contributed to recent increased labour supply which is not captured in the experimental statistics.

### **Inflation falls sharply**

UK inflation fell in the 12 months to October 2023 to 4.6% (from 6.7% in September). Although a reduction in inflation was expected, the fall is greater than some economists predicted. Lower energy prices have contributed to this fall, and inflation is at its lowest since October 2021.

Annual growth in regular pay (7.7 per cent) and total pay, including bonuses (7.9 per cent) in the UK, also decreased compared with the previous month. Wage growth, however, remains high and has increased faster than inflation.

### **Forecasts have been downgraded, as weaker economic growth is predicted**

Scottish GDP growth remains subdued, with new monthly data for August indicating growth of 0.1 per cent. For the UK, the first estimate for Q3 2023 also showed a flat quarter.

The Bank of England (BoE) has emphasised that interest rates are expected to remain elevated for an extended period. The base interest rate was held at 5.25 per cent for the second time in a row in November. This followed 14 consecutive rises from Dec 2021 to Aug 2023, with the rate now at its highest level in 15 years. Both the Fraser of Allander (FAI) Institute and BoE have recently downgraded their economic forecasts, largely reflecting the impact of interest rates on the economy.

## 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.

These revisions to Scottish GDP data are in line with those carried out for the UK recently, and have upgraded annual GDP growth for 2020, 2021 and 2022. It is now also estimated that GDP in Q2 2023 was 0.5 per cent above the pre-pandemic level, compared with 0.5% below in the previous estimate.<sup>1</sup>

### Quarterly GDP estimates

The latest figures show that Scotland's GDP contracted by 0.3% in Q2 2023. This follows growth of 0.2% in both Q1 2023 and Q4 2022.<sup>2</sup> UK GDP data for Q3 2023 is available and is estimated to have shown no growth (0.0%) over the period, following an increase of 0.2% in Q2.<sup>3</sup>

## Economic Outlook

### Forecasts have become more pessimistic, predicting weaker economic growth.

The latest forecasts for Scotland, released by Fraser of Allander (FAI) in October saw a downgrading of expected growth for 2023, to 0.2% compared with 0.5% in their June forecast.<sup>7</sup>

Forecasts for 2024 and 2025 have remained at 0.7% and 1.2% respectively, but FAI have outlined that there are now greater downside risks than there were when the figures were first presented in June.<sup>7</sup>

<sup>1</sup> ONS. [GDP Revisions in Blue Book: 2023](#) (October 2023).

<sup>2</sup> Scottish Government. [GDP Quarterly National Accounts: Q2 2023](#) (November 2023).

<sup>3</sup> ONS. [GDP first quarterly estimate, UK: July to September 2023](#) (November 2023).

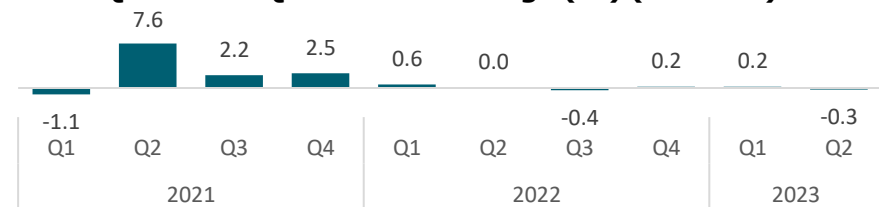
<sup>4</sup> Scottish Government. [GDP Monthly Estimate: August 2023](#) (November 2023).

### Monthly GDP estimates

Monthly GDP data is more volatile than quarterly estimates. The most recent data shows Scotland's GDP increased by 0.1% in August, following a 0.2% increase in July and a 0.1% contraction in June.<sup>4</sup>

For comparison, the UK saw growth in August (0.1%) following a contraction (-0.6%) in July and 0.7% growth in June. It is thought that output in July was affected by Education and Health strikes in England.<sup>5</sup> UK data for September is available and shows 0.2% growth.<sup>6</sup>

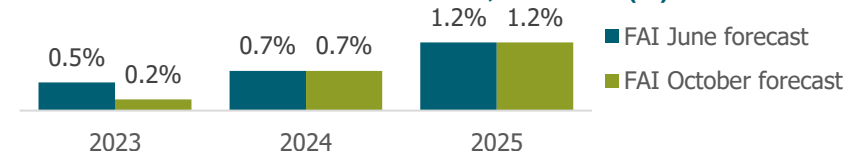
### Quarter on Quarter GDP Change (%) (Scotland)



The latest UK forecasts from the Bank of England (BoE) predict 0.5% growth in 2023 (the same as in August), with growth for 2024 downgraded to 0.0% and 2025 remaining at 0.25%.<sup>8</sup>

Despite the overall 2023 UK forecast remaining the same, the BoE has downgraded expectations for the second half of 2023 with growth expected to be flat in Q3 and marginal (0.1%) in Q4.<sup>8</sup>

### Calendar Year GDP Forecast, Scotland (%)



<sup>5</sup> ONS. [GDP Monthly Estimate: August 2023](#) (October 2023).

<sup>6</sup> ONS. [GDP Monthly Estimate: September 2023](#) (November 2023).

<sup>7</sup> Fraser of Allander. [FAI Economic Commentary 2023 Q3](#) (October 2023).

<sup>8</sup> Bank of England. [Monetary Policy Summary, November 2023](#) (November 2023).

## Inflation and the Cost of Living



### Business confidence falls, but some pressures may be easing

According to The Federation of Small Businesses, **Scotland recorded the greatest quarterly drop in business confidence** in the UK in Q3 (a drop of 18.5 points to -30.2).<sup>1</sup>

The Scottish Chambers of Commerce Economic Indicator found **concern over inflation remained high but had fallen** from 75% to 70% over the last quarter, the second fall in a row.

The survey also found that labour costs remain the biggest concern. 70% reported increased cost pressures from labour, but this has fallen by 5pp.<sup>2</sup>

<sup>1</sup> Federation of Small Businesses. [Small Business Index, Q3 2023](#) (November 2023).

<sup>2</sup> Scottish Chambers of Commerce. [Quarterly Economic Indicator, Q2 2023](#) (November 2023).

<sup>3</sup> ONS. [Index of Private Housing Rental Prices, UK: October 2023](#) (November 2023).

<sup>4</sup> Scottish Government. [Scottish Consumer Sentiment Indicator: 2023 Quarter 3](#) (September 2023).



### Private rental costs increase at record rate

The ONS Index of Private Housing Rental Prices reported a 6.2% increase in private rental prices in Scotland over the 12 months to October 2023.

This is the **highest annual percentage change since the data series began**.<sup>3</sup>

The most recent **Scottish Consumer Sentiment Indicator increased in Q3 of 2023** compared to Q2, suggesting improvement.<sup>4</sup> However, most Scottish households still consider their **financial security to be in a worse position** than it was 12 months ago, and households currently **feel less relaxed about spending money** than they did 12 months ago.



### Inflation rate falls sharply

Inflation (CPI) fell to **4.6% in the 12 months to October 2023 down from 6.7% in September**.<sup>5</sup> This is the lowest rate since October 2021.

Lower energy prices have contributed to this fall, as well as the impact of high interest rates feeding through to the economy.

Core inflation (which excludes energy, food, alcohol and tobacco) also dropped to 5.7% (from 6.1% in Sept) suggesting **inflation is easing**.<sup>5</sup>

Despite these reductions, the impact of high inflation on the **cost of living is expected to remain a challenge** for households across Scotland and the UK.

<sup>5</sup> ONS. [CPI, UK: October 2023](#) (November 2023).

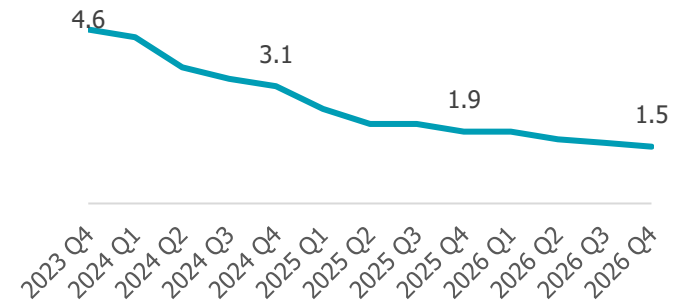
<sup>6</sup> Bank of England. [Monetary Policy Report – November 2023](#) (November 2023).

## Inflation forecast

It is now anticipated that **inflation will fall at a slower pace than had been previously expected**. Forecasts from the Bank of England released in November 2023 estimated that inflation will be 4.6% at the end of 2023.<sup>6</sup>

Whilst this is at a slower pace than had been previously forecast, the Bank of England still expect **inflation to 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, with inflation then falling below 2%.

### Bank of England – Modal CPI Inflation Projections (%)



\*The ONS has not published its usual LFS statistics in October or November. In November, experimental data was released for Scotland as well as the UK, covering Jul-Sep 2023. We advise that these experimental figures should be used with caution.

## Employment Rate (16-64)<sup>1</sup>

## Economic Inactivity (16-64)<sup>1</sup>

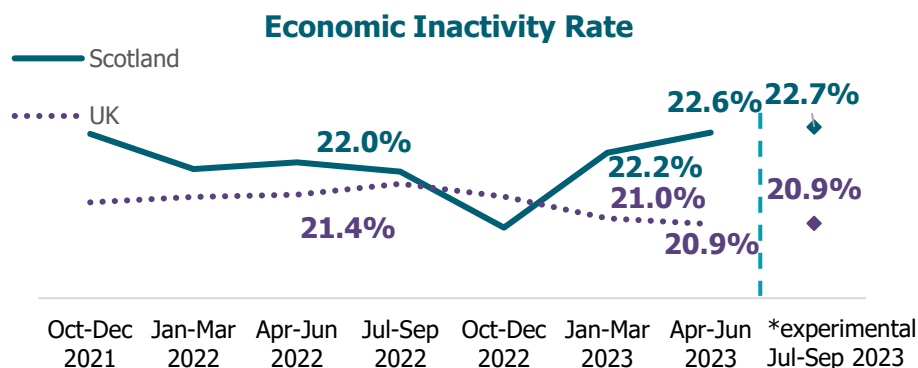
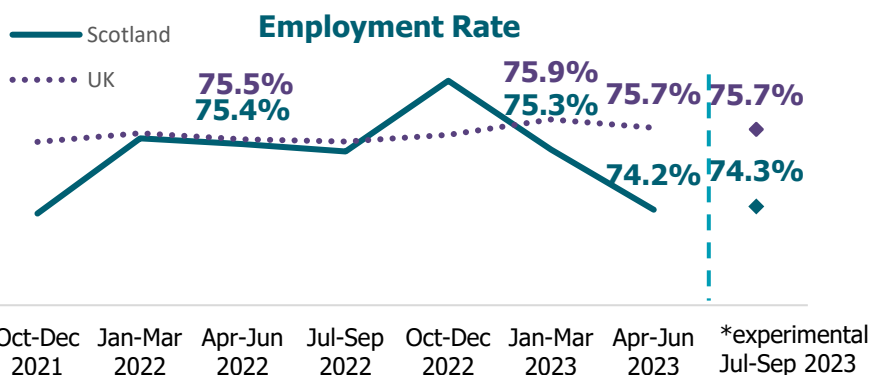
The most recent experimental data available for July-September shows that

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

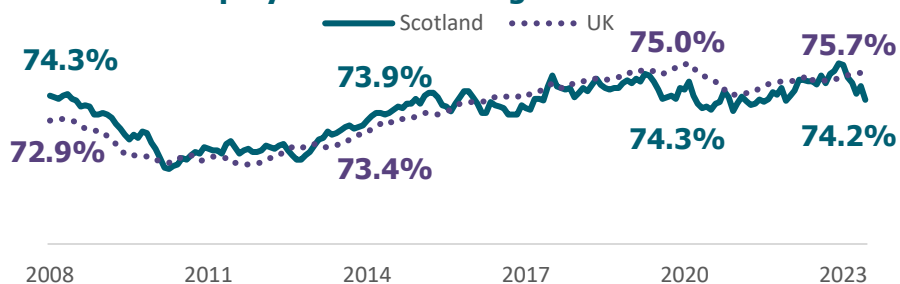
- The experimental data indicates Scotland's employment rate was **74.3%** in the period covering July to September 2023.\* Employment is estimated to have remained around the same as the previous quarter (0.1pp higher).

➤ **The 16-64 Scottish economic inactivity rate was estimated to be 22.7%**

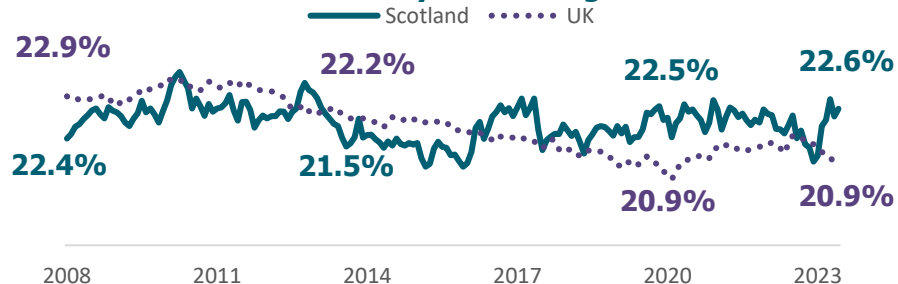
- The experimental data suggests that Scotland's economic inactivity rate was **22.7%** in July to September 2023. The economic inactivity rate was around the same as last quarter (0.1pp higher).\*\*



### Employment Rate: Longer-term trend



### Economic Inactivity Rate: Longer-term trend



<sup>1</sup> ONS, Labour Force Survey (14<sup>th</sup> November 2023). Scotland and UK experimental data source: ONS. Experimental adjusted employment, unemployment and economic inactivity by age group (seasonally adjusted).

\*\*Figures may not sum due to rounding.

\*The ONS has not published its usual LFS statistics in October or November. In November, experimental data was released for Scotland as well as the UK, covering Jul-Sep 2023. We advise that these experimental figures should be used with caution.

## Unemployment (16+)<sup>1</sup>

## Youth Unemployment (16-24)<sup>1,2</sup>

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

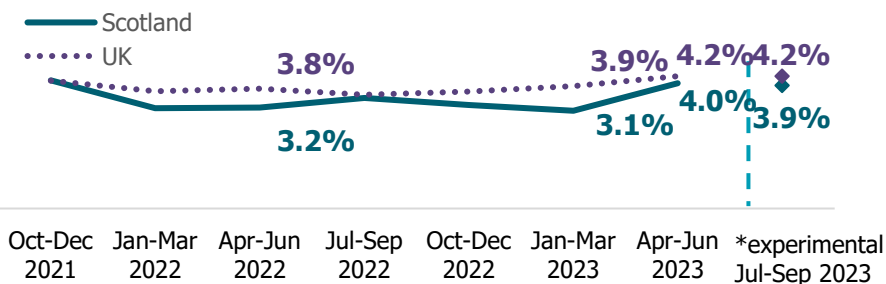
➤ **Unemployment in Scotland was estimated to be 3.9%**

- The experimental data suggests Scotland's unemployment rate was **3.9%** in the period covering July to September 2023.\* This is estimated to be around the same as last quarter (-0.1 decrease).\*\*

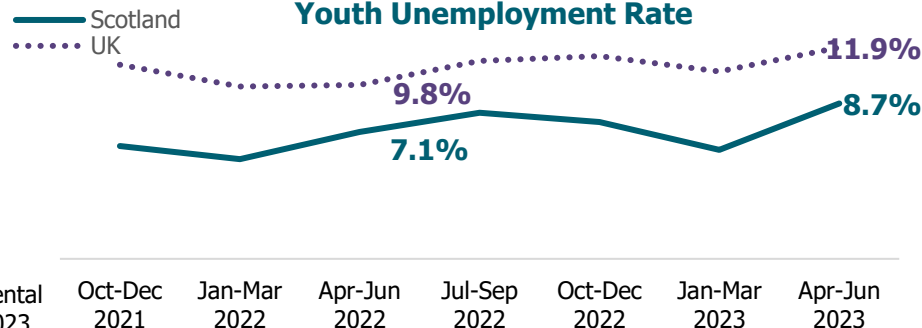
➤ **There was no experimental data released for 16-24 youth unemployment**

- 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.\*\*\*

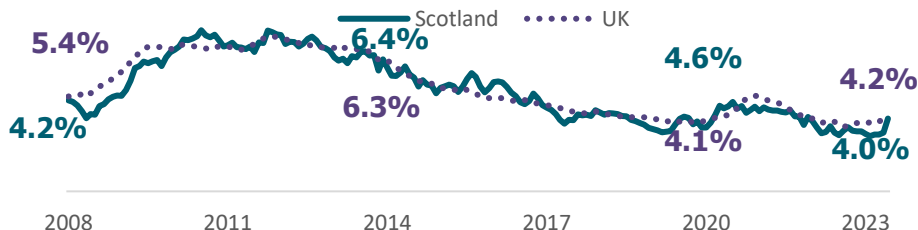
### Unemployment Rate



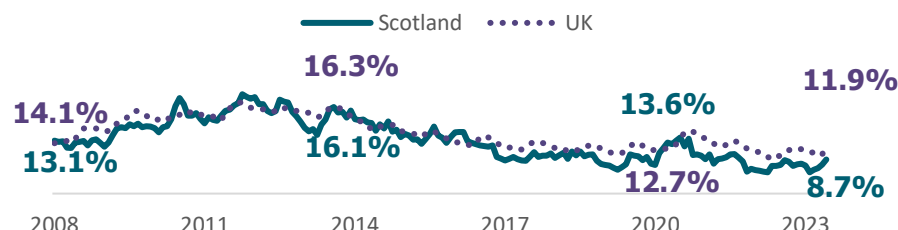
### Youth Unemployment Rate



### Unemployment Rate: Longer-term trend



### Youth Unemployment Rate: Longer-term trend



\*\*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.

<sup>1</sup> ONS, Labour Force Survey; UK experimental data source: ONS, Experimental adjusted employment, unemployment and economic inactivity by age group (seasonally adjusted) (14<sup>th</sup> November 2023).

<sup>2</sup> Please note: Youth Unemployment should only be compared to the previous year.

## Universal Credit<sup>1</sup> and Claimant Count Rate<sup>2</sup>

501,500

people claiming Universal Credit in Scotland in October 2023

Between September and October 2023, 7,300 more people in Scotland claimed Universal Credit, an increase of 1.5%. 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%.

3.6%

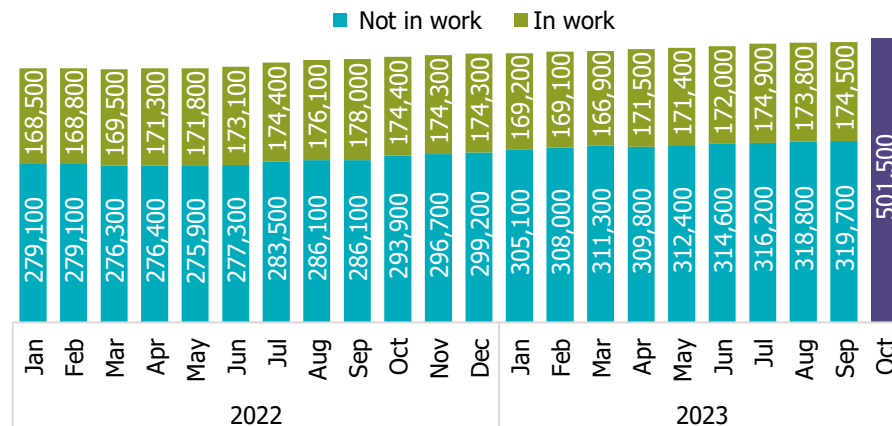
Claimant Count rate in Scotland in October 2023

Between September and October 2023, the Claimant Count rate in Scotland increased slightly from 3.5% to 3.6%. 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

35% 65%

Most recent proportional split of those in work and not in work<sup>1</sup>



## Redundancies<sup>3</sup> and Company Insolvencies<sup>4</sup>

6,000\*

redundancies in the three months to July 2023 in Scotland

The number of people who were made redundant in Scotland decreased in the three months to July 2023 (-1,000 or -14.3%) compared to the three months to July 2022.

2.6\*

per 1,000 people (3.6 per 1,000 in the UK)

\*Estimates are based on a small sample and should be used with caution. This is the most up to date data available as usual LFS statistics were not released in October. Redundancy data was not included in the experimental statistics released.

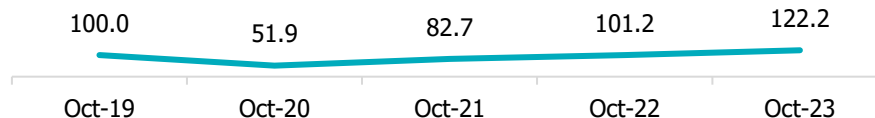
99

Company insolvencies in October 2023

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

Insolvencies increased in October 2023. Insolvencies were 21% higher than in October 2022 and 30% higher than in March 2020 (pre-pandemic level).

## Index of Scottish company insolvencies (October 2019 = 100)



<sup>1</sup> Department for Work and Pensions (November 2023). The breakdown of Universal credit claimants by employment status is not available for October. October data is provisional.

<sup>2</sup> ONS, Claimant Count (November 2023). *Experimental statistics*. October data is provisional.

<sup>3</sup> ONS, Labour Force Survey (September 2023).

<sup>4</sup> The Insolvency Service, [Monthly Insolvency Statistics October 2023](#) (November 2023).



## Job Postings in Scotland<sup>1,2</sup>

**Job postings remain relatively high at 52,600. However, trends suggest demand is cooling.**

October 2023 saw the number of job postings decrease by 4% (-2,100) compared with September 2023, and by 6% (-3,400) compared to the previous year. There has been an increase in the job posting three-month rolling average (+1.5% for August to October compared with July to September), largely due to a smaller number of job postings in July compared to August-October.

**The highest demand in October was for occupations such as:**

- Sales Related Occupations;
- Care Workers & Home Carers;
- Cleaners & Domestic;
- Programmers & Software Development Professionals; and
- Sales and Retail Assistants.

Occupations in highest demand have changed since the last month, particularly due to an increase in Programmers & Software Development Professionals.

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

**Increase:**

- Roundspersons & Van Salespersons (+300);
- Programmers & Software Development Professionals (+100); and
- Advertising & Marketing Associate Professionals (+100).

**Decrease:**

- Cleaners & Domestic (-300);
- Managers & Directors in Retail & Wholesale (-200); and
- Kitchen & Catering Assistants (-100).

**The skills in highest demand in October were:**

**Common skills**

- Communications;
- Management; and
- Customer Service.

**Specialised skills**

- Project Management;
- Finance; and
- Auditing.

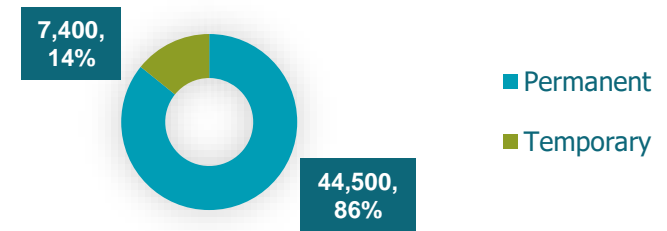
**Public and private sector postings in October:**

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

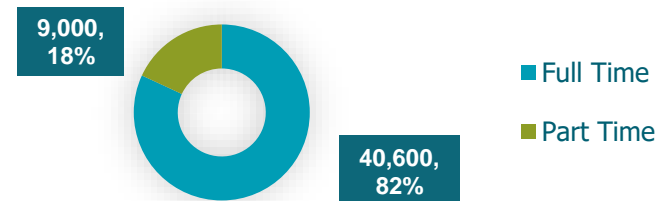


### Job Postings in Scotland, October 2023

**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.

<sup>1</sup> Lightcast (November 2023). Lightcast gathers insights from online job postings. Please note October 2023 job postings are provisional.

<sup>2</sup> Numbers rounded to the nearest 100.

## Spotlight: Employer Skills Survey 2022<sup>1</sup>

The Employer Skills Survey is a longstanding biennial survey, first conducted in 2011. The survey asks employers to evaluate their current skill sets and skills requirements. The survey provides a useful snapshot of the training employers are providing and where skills challenges lie.

The fieldwork for the 2022 survey was undertaken between June 2022 and March 2023. It should be noted that due to the timing of the survey, the recent cooling of the labour market is not reflected in the results. The 2022 Employer Skills Survey was the first year since 2017 that all four UK nations were covered in the same survey.<sup>2</sup> For this reason, 2017 is used as the base year to compare change over time.

### Skills supply challenges have worsened across Scotland and the UK, with a rise in vacancies and hard to fill vacancies.

From 2017 to 2022, the number of vacancies reported by Scottish establishments rose by 57% to 118,200. Vacancies across all UK establishments rose by a lesser extent (48%). One in four (25%) of Scottish establishments responding to the survey had at least one vacancy, a rise from one in five (20%) in 2017.

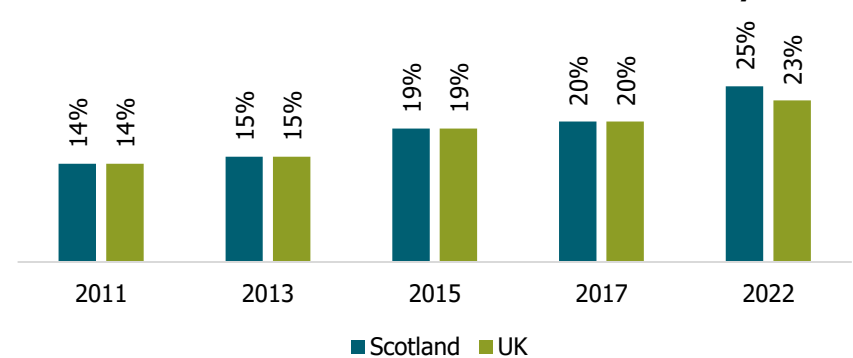
#### Definitions

**Hard to fill vacancies:** Vacancies where employers reported difficulties filling the roles. Reasons include a lack of interest and competition from other employers.

**Skill-shortage vacancies:** Vacancies that are hard to fill due to a lack of skills, qualifications or experience among applicants.

**Skills gap:** Where an employee is judged by their employer to lack full proficiency.

% of establishments with at least one vacancy



As well as a rise in overall vacancies, the prevalence of hard to fill vacancies also increased. The percentage of Scottish establishments reporting a vacancy that was hard to fill doubled from 8% in 2017 to 16% in 2022. This meant that more than half of all vacancies in Scotland (55%) were hard to fill, up from 39% in 2017. This trend was similar across the UK, with hard to fill vacancies rising from 8% in 2017 to 15% in 2022. This meant that 57% of all UK vacancies were hard to fill in 2022.

### There has been a notable increase in skill-shortage vacancies since 2017.

The results for 2022 show that 10% of establishments in both Scotland and the UK had a skill-shortage vacancy. This is up from 6% in 2017. In addition, there has been a sharp increase in skill-shortage vacancies in both Scotland and the UK, with a rise of 106% between 2017 and 2022 in Scotland, and 135% in the UK. This meant that in 2022 31% of vacancies in Scotland were skill-shortage vacancies, compared to 36% in the UK. Skill-shortage vacancies were more prevalent in certain sectors in Scotland, and lower in others.<sup>3</sup>

<sup>1</sup> UK Government (October 2023). [Employer Skills Survey](#)

<sup>2</sup> In 2020 Scotland was covered in its own national survey: Scottish Government (2021) [Scottish Employer Skills Survey 2020](#)

<sup>3</sup> For example, they were highest in Specialised construction activities and Wholesale and retail trade and repair of motor vehicles and motorcycles. Conversely, skill shortage vacancies were less prevalent in Retail trade, except of motor vehicles and motorcycles and Land transport and transport via pipelines.

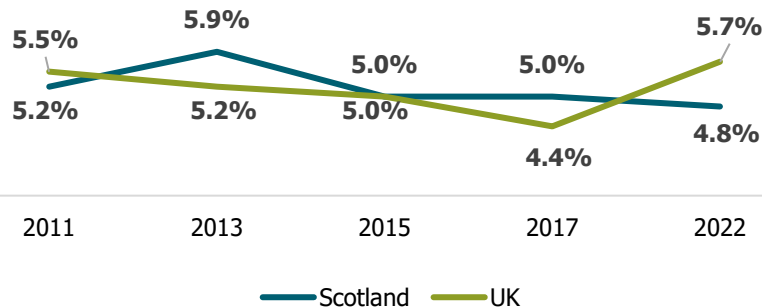
## Spotlight: Employer Skills Survey 2022<sup>1</sup>

### There has been some improvement in skills gaps in Scotland.

Around 15% of establishments in Scotland reported a skills gap in 2022, a slight decrease from 16% in 2017. The proportion of employees with a skills gap also fell to 4.8% (from 5.0% in 2017), the lowest level since the survey began.

On the other hand, in the UK there was a two percentage point increase in establishments with a skills gap compared to 2017, and the proportion of employees with a skills gap increased to its highest level (5.7%). However, compared to the other UK nations, the proportion of employees with skills gaps was second highest in Scotland after England, with skills gaps less prevalent in Wales and Northern Ireland.

**Skills gap density (proportion of employees judged not fully proficient)**



### Investment in training across Scotland and the UK has fallen and is now at its lowest level.

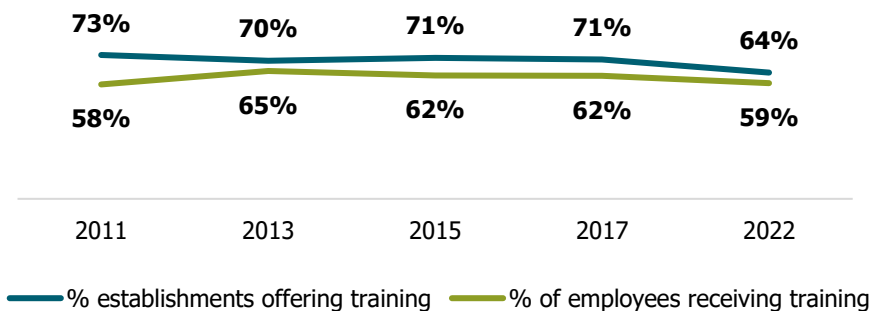
In 2022, Scottish establishments invested a total of £4,146m in training, which was a 14% reduction compared to 2017. Across the UK, investment in training was also at its lowest level, however the contraction between 2017 and 2022 was not as large (-8%).

### Training activity has reduced since 2017 across Scotland and the UK.

As expected with the drop in investment in training, the number of employees trained in Scotland in the past 12 months reduced by 5% to around 1.4m. Overall, the proportion of employees receiving training in Scotland decreased from 62% in 2017 to 59% in 2022. The number of establishments arranging any training for staff in the past 12 months fell by 9% to around 97,700.

Around two-thirds of Scottish employers offered training in the past 12 months (64%), however prior to 2022 this was consistently above 70%. This trend was similar across the UK, where in 2022 60% of establishments offered training, down from 66% in 2017.

**% of establishments offering and employees receiving training in past 12 months (Scotland)**



Despite the decrease in overall training activity, there has been an increase in online training, with 66% of Scottish establishments that offered training offering e-learning, compared to 51% in 2017.

<sup>1</sup> UK Government (October 2023). [Employer Skills Survey](#).

## 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.



**Contact us:**

**[rsa@sds.co.uk](mailto:rsa@sds.co.uk)**