

Economy, People and Skills

May 2025



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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.

The economic outlook remains challenging. Inflation rose to a 15-month high in April and, despite higher UK GDP growth in Q1 2025 than expected, growth across the calendar year is expected to be muted. Tentative signs of a loosening labour market remain, while new proposals for migration could impact the Social Care sector in particular.

Data for the Scottish labour market is showing tentative signs of impact from economic headwinds, which are clearer in the UK data

The latest LFS data for Scotland shows an increase in unemployment (+0.5pp), and employment (+0.4pp) rates and a decrease in the economic inactivity rate (-0.8 pp). However, challenges remain with the LFS data. Administrative data for Scotland shows a slight monthly rise in the number of claimants (+1,200 claimants or +1.2%) and a decline (-2,600 or -0.1%) in PAYE employment, which whilst small, shows more sizeable decline with the previous year (-12,200 or -0.5%).

Online job postings in Scotland in April were broadly stable compared with March and increased compared with April 2024 (+5,800 postings or +15%). UK vacancy data, which uses a quarterly comparison, continues to show a diverging trend, with vacancies falling by 5.3% on the quarter in February to April 2025. Alongside rising unemployment in the LFS data and a reduction in PAYE employment, the data for the UK appears to confirm that the labour market is loosening; however, for Scotland, the data is less conclusive.

Inflation rises to 15-month high

CPI in April increased to 3.5%, up from 2.6% in March and reaching its highest level since January 2024. The increase was driven by utility bill increases and higher airfares. A rise had been predicted, but the increase to 3.5% was higher

than anticipated. However, whilst inflation is expected to remain above 3% over the next few months, the rise is predicted to be temporary.

UK growth higher than expected in Q1 2025, but expectations for the calendar year remain muted

The latest GDP data shows that the UK economy expanded by 0.7% in Q1 2025. This was a considerable increase on Q3 (0.0%) and Q4 (0.1%) 2024. Whilst positive, it has been suggested that some of this growth may reflect activity being brought forward ahead of the implementation of trade tariffs, and growth is still expected to remain muted across 2025 as a whole.

International forecasts downgraded, and mixed picture from new Bank of England (BoE) forecasts

The IMF released international forecasts in late April. Largely reflecting the anticipated impact of US trade tariffs, the IMF have reduced their global growth estimate and estimates for all G7 nations in 2025.

The BoE Monetary Policy Committee announced a 0.25pp cut to the base interest rate earlier this month, reducing it to 4.25%, the lowest level in nearly two years and the fourth cut since August 2024. Forecasts released by the BoE alongside the base rate decision slightly upgraded their GDP forecast for 2025. Conversely, the forecast for 2026 was reduced slightly. Further analysis of GDP and inflation forecasts is provided on pages four and five, respectively.

New migration proposals could reduce the flow of overseas workers

The UK government announced plans to tighten immigration policy in May. Key plans include abolishing the Social Care visa and increasing educational requirements for the skilled worker visa. New migration policy could reduce the number of migrant workers in the UK, with potential to acutely affect the Social Care sector.

UK and Scotland Economy - Gross Domestic Product (GDP)

UK GDP

Q1 2025 data was released for the UK in May, estimating 0.7% growth. This is a considerable increase on the two preceding quarters – 2024 Q4 (0.1%) and 2024 Q3 (0.0%).¹ However, it is still expected that growth will be muted over 2025 as a whole, with quarterly rates expected to decrease. The higher level of growth in Q1 is thought to partly reflect activity being brought forward ahead of the expected implementation of trade tariffs.² Monthly data shows that UK GDP grew by 0.2% in March, following 0.5% growth in February.³

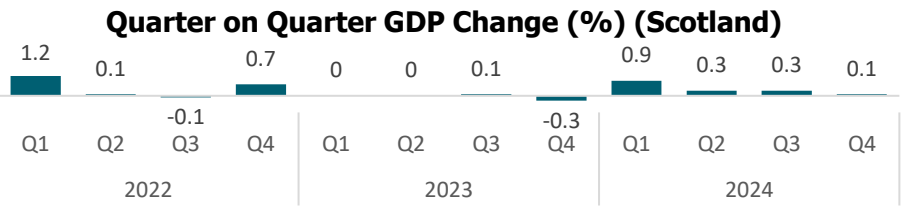
The latest revised estimate for annual growth suggests that the UK economy grew by 1.1% in 2024, up from 0.4% in 2023, but this is still relatively low growth, reflecting the slowdown in the second half of the year.¹

Scotland GDP

Q1 2025 data is not yet available for Scotland. Similar to the UK,

quarterly GDP growth in Scotland slowed over 2024. GDP increased very slightly in Q4 (0.1%), following 0.3% growth in both Q3 and Q2, down from 0.9% in Q1.⁴ Monthly figures suggest that like the UK, Scottish GDP may have grown at a faster rate than expected in early 2025. Despite contraction (0.2%) in February, GDP grew by 0.4% in January and by 0.7% over the three months to February 2025.⁵

The latest estimate for annual growth suggests the Scottish economy grew by 1.2% in 2024, up from 0.5% in 2023. Whilst an improvement on 2023, the annual growth almost exclusively occurred in Q1 rather than consistent growth across the year.⁴

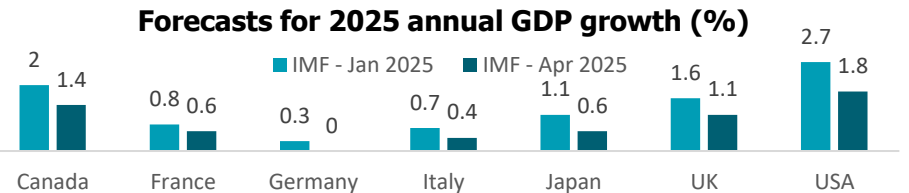


Economic Outlook

New international economic forecasts were released by the International Monetary Fund (IMF)⁶ in late April. Largely reflecting the anticipated impact of US trade tariffs, the IMF has cut estimates for growth in 2025 across all G7 nations. The latest UK forecasts from the Bank of England (BoE) have slightly increased estimated growth for 2025, but reduced the 2026 estimate.

The latest forecasts from the IMF have seen the estimate for global growth in 2025 cut to 2.8%, compared with 3.3% in the IMF’s January forecast. This is largely due to the uncertainty and trade barriers expected to be caused by America’s policy on trade tariffs. America received the biggest downgrade at 0.9pp compared with the January forecast, as the estimate has decreased from 2.7% to 1.8%.

The forecast for growth in the UK has been reduced from 1.6% to 1.1%. Despite this, UK growth is expected to remain higher than all other G7 nations, excluding the USA and Canada.



New UK forecasts from the BoE⁷ increased the growth estimate for 2025 slightly, up to 1% compared with 0.75% in February, but still considerably below the November estimate (1.5%). This is largely due to higher than expected growth in Q1, thought in part to reflect stockpiling in response to trade tariffs. Despite the increase in the 2025 estimate, growth for 2026 was reduced from 1.5% to 1.25%.

¹ ONS. [GDP first quarterly estimate, UK: January to March 2025](#) (May 2025).
² FT. [UK economy grows at fastest pace in a year](#) (May 2025).
³ ONS. [GDP monthly estimate, UK: March 2025](#) (May 2025).
⁴ Scottish Government. [GDP Quarterly National Accounts: 2024 Q4](#) (April 2025).

⁵ Scottish Government. [GDP Monthly Estimate: February 2025](#) (April 2025).
⁶ IMF. [World Economic Outlook](#) (April 2025).
⁷ BoE. [Monetary Policy Report](#) (May 2025).

Inflation and the Cost of Living



Decline in future expectations for Scottish businesses

The Q1 2025 Scottish Business Monitor¹ found that **the net balance for expected volume of business over the next six months fell** by almost 9pp over the quarter, decreasing to -7, the lowest reading since 2020.

This reflected a decline in almost all business activities over the quarter, including turnover, sales and new business activity.

Businesses reported concerns with the wider economy as well as challenges for their own firms. Eight in ten expected weak growth for the Scottish economy, and over nine in ten expected higher business costs.



Cost of living pressures trending upwards

The Great British Opinions and Lifestyle survey² found that **in April 2025 around three-quarters (72%) of respondents reported that their cost of living had increased** in the last month. This was up from 66% in March, and more generally there has been a rising trend since a low of 45% in July 2024.

The percentage reporting an increased cost of living is now similar to that in April/May 2023 (70%), although it **remains lower than the peak of 80% in October 2022.**

Further analysis of consumer sentiment and perspectives from individuals on the economy is provided in this month's spotlight.



Inflation rises to highest rate in 15 months

Inflation (CPI) in the UK increased to 3.5% in April 2025, up from 2.6% in March.³ The increase reflected rises in utility bills as well as increased airfares.³ In addition to the headline rate rise, services inflation (a key measure for the Bank of England) increased by 0.7pp to 5.4%.³

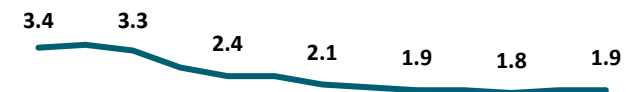
The increase in inflation in April had been predicted, but **the rise was higher than anticipated.**⁴ Looking ahead, whilst inflation is predicted to remain above 3% over the next few months, **the rise is expected to be temporary.**

Inflation forecast

The latest UK inflation forecasts were released by the Bank of England (BoE) in early May (prior to the April inflation data release).⁵ As with their previous forecast, the BoE predict inflation will temporarily increase, before then returning to target. On a quarterly basis, inflation is expected to peak at 3.5% in Q3 2025, before returning to the 2% target in Q1 2027. The monthly peak is predicted at 3.7% by September 2025.

The BoE have highlighted the uncertainty associated with the inflation forecast, noting both upside and downside risks. It has provided two scenarios to illustrate potential alternatives to the central forecast. One scenario is based on a quicker fall in inflation reflecting the impact of trade and other. This sees CPI 0.3pp lower than the baseline projection at the three-year forecast horizon. In the other scenario inflation remains elevated as the short-term increase in inflation leads to stronger wage growth which in turn affects prices, as a result CPI is 0.4pp higher than the baseline projection throughout the forecast period.

BoE – Modal CPI Inflation Projection (%)



2025Q2 2025Q4 2026Q2 2026Q4 2027Q2 2027Q4 2028Q2

¹ FAI. [Scottish Business Monitor, Q1 2025](#) (April 2025).

² ONS. [Public opinions and social trends, Great Britain: April 2025](#) (May 2025).

³ ONS. [CPI, UK: April 2025](#) (May 2025).

⁴ FT. [UK inflation jumps to 3.5% in April](#) (May 2025).

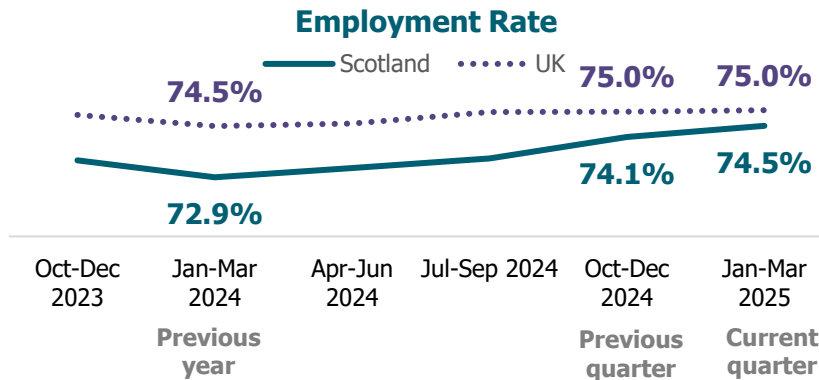
⁵ BoE. [Monetary Policy Report](#) (May 2025).

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.

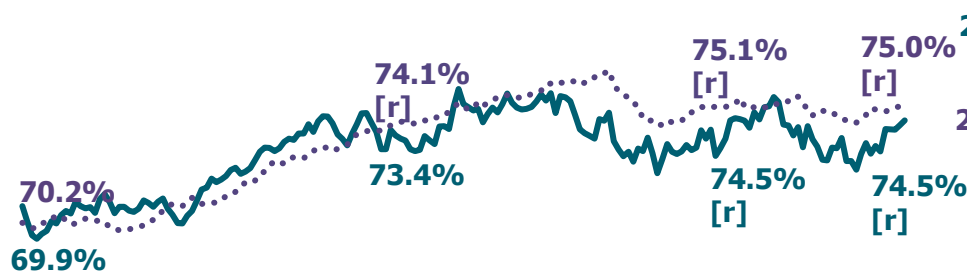
Employment Rate (16-64)¹

➤ **Scotland's employment rate was estimated to be 74.5%**

- The latest data suggests Scotland's employment rate was **74.5%** in the period covering January to March 2025. The rate is estimated to have increased by 0.4pp compared with the previous quarter.*



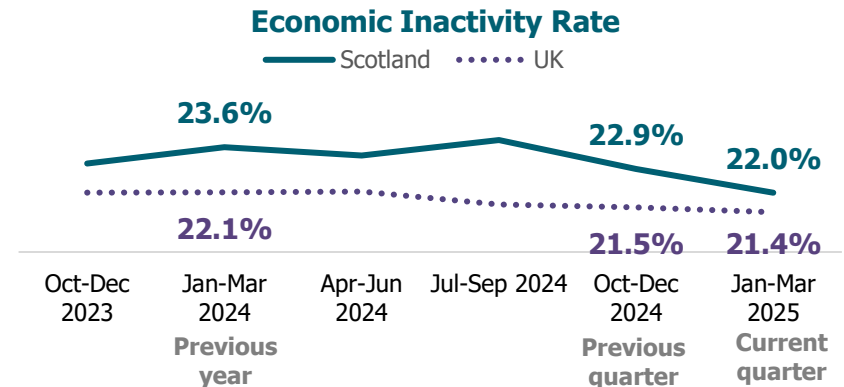
Employment Rate: Longer-term trend



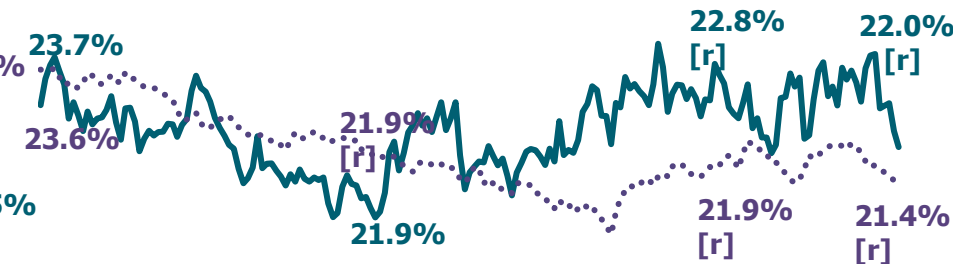
Economic Inactivity (16-64)¹

➤ **The 16-64 Scottish economic inactivity rate was estimated to be 22.0%**

- The latest data suggests that Scotland's economic inactivity rate was **22.0%** in January to March 2025. The economic inactivity rate was 0.8pp lower than last quarter.*



Economic Inactivity Rate: Longer-term trend



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 January to March 2025. This is an increase compared with the last quarter (0.5pp change).*

Unemployment Rate



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

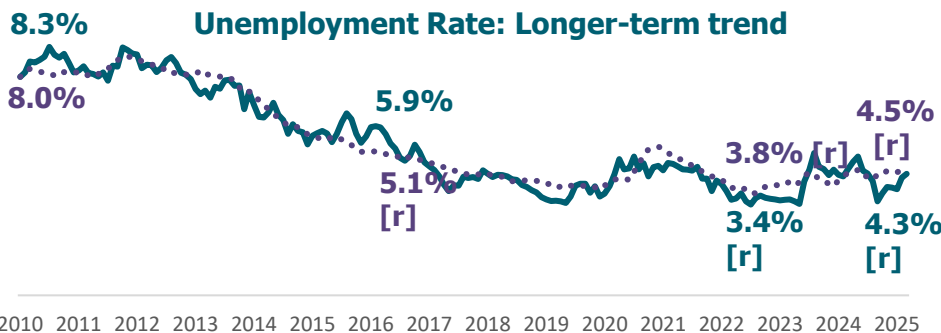
➤ **16-24 youth unemployment in Scotland was estimated to be 12.4%**

- The latest data estimates Scotland's youth unemployment rate was **12.4%** in the period covering January to March 2025.* This is higher than the same period of the previous year (1.8pp 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



Unemployment Rate: Longer-term trend



Youth Unemployment Rate: Longer-term trend



¹ ONS. Labour Force Survey (13th May 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

614,900

people claiming Universal Credit in Scotland in March 2025*

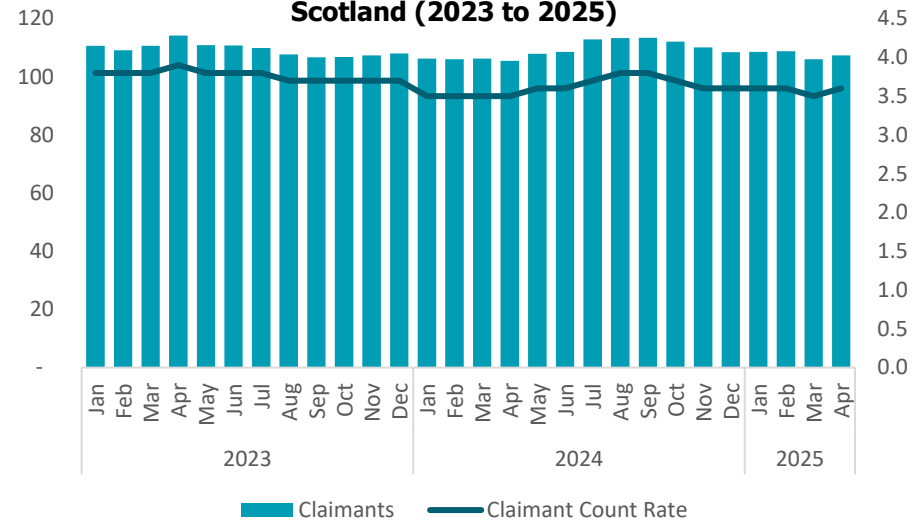
Between February and March 2025, 13,100 additional people in Scotland claimed Universal Credit, an increase of 2.2%. This continues a trend of increase from June 2022. The overall rise has been driven by an increase in claimants not in work.¹ Since January 2023 the proportion of claimants in work has ranged from 33% to 38%. As noted in [September's](#) spotlight, migration from legacy benefits is likely to be one factor in the increase in people claiming Universal Credit.

3.6%

Claimant Count rate in Scotland in April 2025 (107,300 claimants)

Between March and April the Claimant Count stayed broadly similar, the number of claimants increased slightly (+1,200), whilst the Claimant Count rate increased from 3.5% to 3.6%, but due to rounding this was a 0.0pp change. The Claimant Count rate has fallen from 4.7% in January 2022, but there was a slight uptick during summer 2024.

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



*Please note that the May update to the Universal Credit dataset has been delayed.

Redundancies³ and Company Insolvencies⁴

4,000*

Redundancies in the three months to March 2025 in Scotland

1.7*

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

The number of people who were made redundant in Scotland decreased in the three months to March 2025 (decreased by *8,000 people or *67.0%) compared with the three months to March 2024.

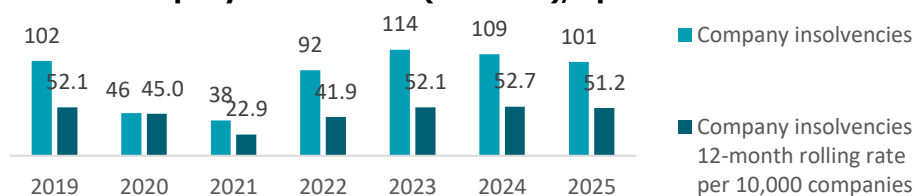
*Please note estimates are based on a small sample and should be used with caution.

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Company insolvencies in Scotland, April 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. However, for April 2025 the number of insolvencies and 12-month rolling rate of insolvencies was slightly lower than in April 2019.

Company Insolvencies (Scotland), April



³ ONS. Labour Force Survey (13th May 2025).

⁴ The Insolvency Service. [Monthly Insolvency Statistics, April 2025](#) (May 2025).

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

² ONS. Claimant Count (May 2025). *Experimental statistics*. April data is provisional.

Job Postings in Scotland^{1,2}

Online job postings in April were broadly stable compared with March, decreasing very slightly (-200), and continuing a relatively flat trend for the year so far. Postings did increase compared with the previous year (April 2024), growing by +5,800 or +15%. Reflecting the flat start to the year the three-month-rolling average remained broadly stable (increasing by 1%) for February to April compared with January to March.

The highest demand in April was for occupations such as:

- Sales Related Occupations;
- Care Workers and Home Carers;
- Cleaners and Domestic;
- Kitchen and Catering Assistants; and
- Customer Service Occupations.

The occupations in highest demand remain similar to last month.

The following occupations had the largest change in job postings in April compared with March:

Increase:

- Care Workers and Home Carers (+200);
- Social Workers (+100); and
- Chartered and Certified Accountants (+100).

Decrease:

- Sales and Retail Assistants (-100);
- Other Registered Nursing Professionals (-100); and
- Cleaners and Domestic (-100).

The skills in highest demand in April were:

Common skills

- Communication;
- Customer Service; and
- Management.

Specialised skills

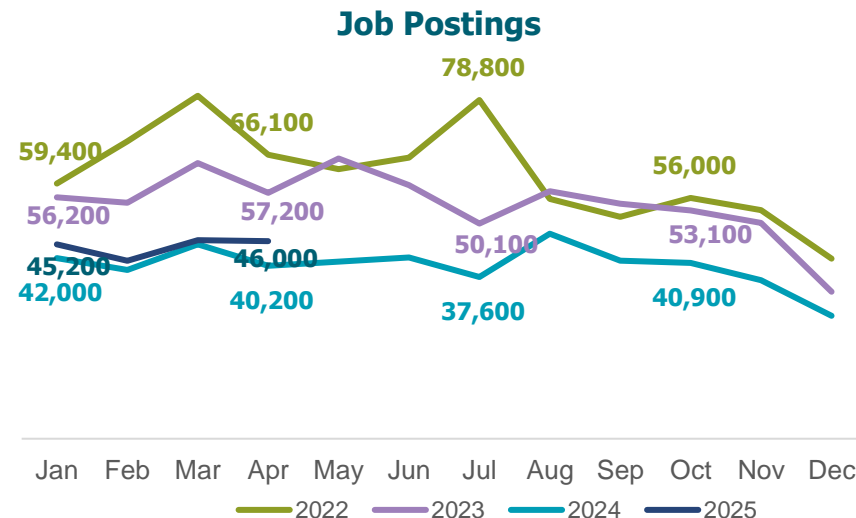
- Project Management;
- Auditing; and
- Finance.

Public and private sector postings in April:

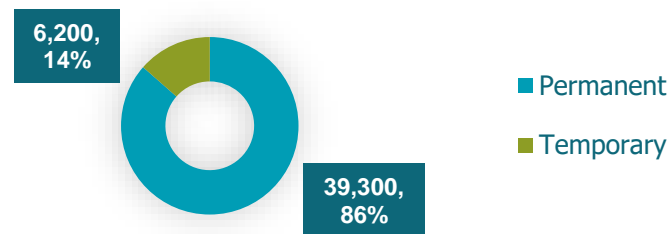
- In April, the top 10 organisations with the most job postings were mainly public sector organisations.

¹ Lightcast (May 2025). Lightcast gathers insights from online job postings. Please note April 2025 job postings are provisional.

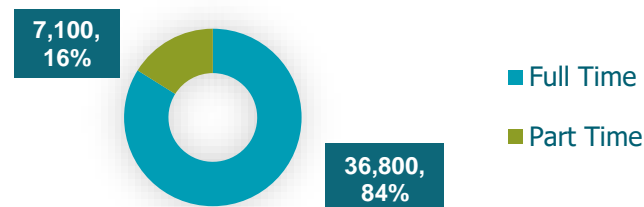
² Numbers rounded to the nearest 100.



Job Postings in Scotland, April 2025 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: Consumer Sentiment

Recent data suggests a fall in consumer confidence and growing pessimism amongst individuals. This reflects recent developments for prices and the economic outlook, as well as the impact of longer-term trends around inflation and previous economic shocks. However, there is further complexity in this picture as certain indicators have improved or remain relatively positive for individuals. This spotlight will explain the importance of consumer confidence as an economic indicator and analyse recent trends in the data.

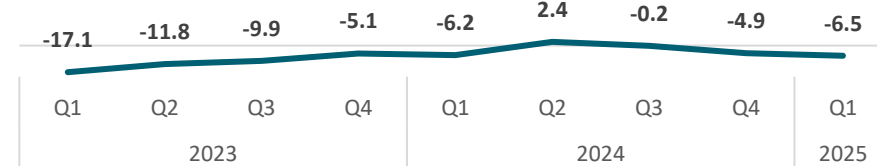
Consumer confidence provides key insights for economists

Consumer confidence surveys are often based around questions on respondents' household finances and the broader economy. Consumer confidence is an important indicator for economists as it helps them to understand how people feel about the economy, which will in turn drive their future behaviour. For example, more negative perceptions are likely to lead to more conservative behaviour as individuals may seek to save more and be less likely to make big purchases. As a result, consumer confidence is monitored by institutions such as the Bank of England as they seek to use monetary policy to drive economic stability and growth.

Recent trends in consumer confidence suggest growing negativity

Consumer confidence has fallen in recent months. For example, the Scottish Consumer Sentiment Indicator¹ has fallen to -8.0 in March 2025, the lowest reading since August 2023. On a quarterly basis², the indicator fell to -6.5 for Q1 2025, down from -4.9 in Q4 2024 and a recent high of +2.4 in Q2 2024. The score for Q1 2025 is the lowest recorded since Q3 2023. Over the quarter, the key driver of falling Scottish consumer sentiment was declining expectations for the Scottish economy, which fell by 6.2 points between Q4 2024 and Q1 2025.

Figure 1: Quarterly Scottish Consumer Sentiment Indicator



Source: Scottish Government

The trajectory for UK consumer confidence has been similar to that in Scotland. For example, the UK GfK Consumer Confidence Index³ fell to -23 in April 2025, down four points from March, and the lowest score recorded since November 2023. Similar to the Scottish Consumer Sentiment Indicator, declining perceptions of future economic performance were the key driver of the fall.

The prospect of rising costs and a gloomier economic outlook have impacted consumer confidence

Recent trends of a return to rising costs and a gloomier economic outlook have contributed to the recent fall in consumer confidence. Inflation has started to rise again (though not to levels seen in 2022/23), increasing to 3.5% in April compared with a low of 1.7% in September 2024. This trend is expected to continue in the coming months, with monthly inflation predicted to peak at 3.7% by September 2025, but the rise is expected to be temporary.⁴ Individuals have also experienced a recent rise in bills at the start of the financial year. This has been reflected in survey data showing that the proportion of people in Great Britain reporting that their monthly cost of living has increased, up to around three-quarters in April 2025 (72%), compared with a recent low of 45% in July 2024.⁵

Another factor driving the fall in consumer sentiment has been the more pessimistic economic outlook.⁶ In particular, forecasts for growth in 2025 have been reduced, and there has been widespread commentary over the potential impact of economic uncertainty, including US trade tariffs and conflict in the Middle East.

¹ Scottish Government. [Scottish Consumer Sentiment: Monthly Indicator](#) (April 2025).

² Scottish Government. [Scottish Consumer Sentiment Indicator: 2025 Quarter 1](#) (April 2025).

³ GfK. [UK Consumer confidence down four points in April to -23](#) (April 2025).

⁴ Bank of England. [Monetary Policy Report](#) (May 2025).

⁵ ONS. [Public opinions and social trends, Great Britain: April 2025](#) (May 2025).

⁶ Deloitte. [The Deloitte Consumer Tracker Q1 2025](#) (April 2025).

Spotlight: Consumer sentiment

Domestically, there has also been significant coverage of business concerns regarding changes to employer National Insurance Contributions, which are predicted to impact recruitment and the labour market.

Low consumer confidence also reflects longer-term trends

Whilst recent trends for consumer confidence suggest a small short-term decline since mid-2024, it is also important to note that low consumer confidence reflects longer-term trends. In particular, this includes recent record-high inflation and the peak of the cost-of-living crisis in late 2022/early 2023, but this also followed other economic shocks, including the pandemic and Brexit. As noted by Deloitte⁶, whilst inflation has eased considerably since October 2022, consumers continue to compare prices to pre-pandemic levels. Looking at items such as food and housing, whilst price growth has fallen, prices +are significantly higher than they were pre-cost-of-living-crisis and have outpaced wage growth.

Since June 2021 food and rent have increased more than wages



Food:
+35%



Private rent:
+30%



Wages:
+24%

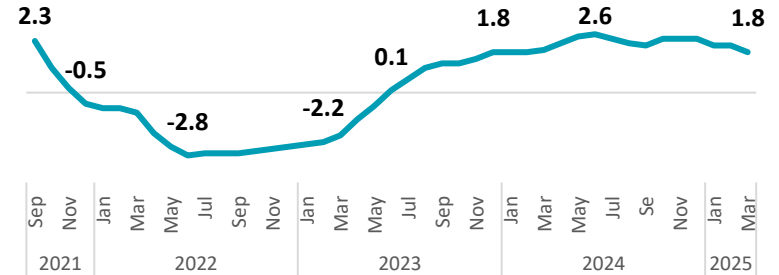
Source: ONS (food and wages data for UK, private rent data for Scotland)

Despite increased negativity from consumers, there are signs of improvements for individuals in some economic indicators

Despite the recent fall in consumer confidence (though it should be noted this remains above lows seen at the height of the cost-of-living -crisis in 2022/23), there are a number of economic/labour market indicators that have ostensibly improved for individuals in recent months. For example, inflation, whilst it has risen since September last year, remains below 4% compared with a peak of 11% in October 2022. Partially reflecting the fall in inflation, real regular pay growth has increased to around 2%. Despite some decreases in

the pay growth rate in recent months, this remains a substantial improvement, particularly as real regular pay growth was negative between October to December 2021 and March to May 2023.

Figure 2: Real Pay Growth (UK, three months to, %)



Source: ONS

Looking at specific elements of inflation, rising housing costs have been a significant component of the impact of inflation upon individuals, and data suggests that there has been some easing in recent months. For example, average rent prices in Scotland increased by 5.1% in the 12 months to April 2025, down from a record high peak of 11.7% in August 2023.⁷ Average mortgage interest rates have also fallen in recent months.⁸

Consumer sentiment highlights the current complexity of the economic outlook, and is also a key indicator for the future

The downward trend in consumer sentiment, despite some improvements for individuals around inflation and wages, underlines the current uncertainty and complexity of the economic outlook. Recent years have seen successive economic shocks, including Brexit, the pandemic, and the cost-of-living crisis, which have impacted how people view the economy and its stability. Recent pessimism and uncertainty around growth and price rises are also key factors driving the short-term fall in consumer confidence.

⁷ ONS. [Private Rent and House Prices, UK](#) (May 2025).

⁸ Moneyfacts. [Average two-year fixed mortgage rate plummets to lowest level since 'mini-Budget'](#) (May 2025).

LMI resources



Regional Skills Assessments and Sectoral Skills Assessments

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

New updates were released in October 2024. A series of webinars on the new publications are also available to view [here](#).



The Data Matrix, offers data at Local Authority level, covering over 80 indicators covering Skills Supply, Skills Demand and Skills Mismatches.

The Data Matrix is updated Monthly.



CESAP Pathfinder, assesses the known investment, skills demand now and in the future, and current training and learning support for green skills in Scotland.

Skills Development Scotland is the national skills agency, supporting people and businesses to apply their skills, helping them to achieve their full potential

Apprenticeships

Scottish Apprenticeships provide integrated, flexible, in-work learning from school to graduate level, helping people gain industry-recognised qualifications.

Find Business Support

Enterprise and Skills agencies aligned offer to Scottish businesses and workers.

PACE

Scottish Government's PACE service can support employers and employees facing redundancy.

Skills for Growth

A fully-funded service for businesses with fewer than 250 employees which helps them identify their skills needs.

Career Information, Advice and Guidance

Skills Development Scotland's inclusive, all-age careers service empower people from all communities to make their own career and learning decisions.

Online Learning Portal

Helping people develop their skills with free online courses from training providers.

My World of Work Job Search

Helping employers advertise opportunities through SDS's careers website.

Green Jobs Workforce Academy

The Green Jobs Workforce Academy can help people take a greener approach to their careers, from accessing training and learning new skills to finding a new job.

Contact us:

rsa@sds.co.uk