

Economy, People and Skills

December 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 face ongoing challenges, with economic output subdued despite easing inflation and wage pressures. The UK labour market shows continued weakening, with slight decreases in employment and vacancies, while unemployment edged up as hiring slowed ahead of the UK budget. Data for Scotland shows mixed signals as LFS employment rose modestly, but job postings and PAYE employment declined, indicating persistent challenges.

The UK and Scotland's labour markets show moderate signs of weakening

UK labour market data points to a continuation of recent weakening. Employment in the UK decreased slightly to 74.9% (down 0.1 pp), while unemployment increased to 5.1% (0.1 pp increase). This is consistent with analysts' expectations, as employers delayed recruitment in anticipation of the UK Budget. Economic inactivity decreased slightly to 21% (0.1 pp decrease). PAYE employment dropped by 0.1% from October and was 0.6% lower than in November 2024. Job vacancies fell by 0.2% to 729,000 between September and November 2025.

Scotland's labour market continues to face challenges and signs of weakening demand. From August to October 2025, LFS data shows that employment increased by 0.4 pp to 74.9%, while economic inactivity decreased to 22% (down by 0.7 pp). Over the same period, unemployment increased 0.3 pp to 3.8%, indicating that more people are looking for work. Alternative employment estimates, such as PAYE employment, show that employment in Scotland decreased slightly with respect to the previous month (0.1% decrease) and November 2024 (0.6% decrease). Job postings in Scotland fell to 36,600 in November, a decrease of 4,900 postings, or 11.9% compared to October and a fall of 300 postings, or 1.9% compared to November 2024.

Inflation continues to ease, economic growth remains subdued

Wage pressures are weakening, with annual regular pay growth falling to 4.6% in August - October 2025 from 4.7% in the previous quarter. UK Inflation fell from 3.6% in October to 3.2% in November 2025, below analysts' expectations (3.5%). The fall was mainly driven by smaller increases in the prices of food and drink compared to last year. Core inflation decreased to 3.2% in November 2025 (from 3.4% in October), while services inflation fell to 4.4%, down from 4.5% in October. These indicators, among others, feature as key benchmarks for interest rate decisions. The Bank of England lowered the base interest rate from 4% to 3.75% in December.

The UK economy grew by 0.1% in Q3 2025. 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. Slower growth in Q3 was mainly driven by the production sector, which fell by 0.5%. In Q3 2025, Scotland's GDP grew by 0.2%, matching the 0.2% rise in Q2. Growth in Q3 was driven by the services sector (0.5% growth), with Business Services and Finance making the largest positive contribution towards Scotland's total GDP.

Future outlook

The Office for Budget Responsibility (OBR) upgraded its UK economic outlook, citing stronger growth momentum and a slower return to the Bank of England's inflation target. While GDP prospects have improved, inflation is expected to remain above target for longer, and unemployment is forecast to stay broadly unchanged before easing later in the decade. The UK Autumn Budget introduced short-term fiscal support through higher welfare spending and an increased National Living Wage, alongside plans for gradual tax rises in future years. For Scotland, the impact is expected to be modest, and the Scottish Government's January budget will be important in shaping the outlook.

UK and Scotland Economy - Gross Domestic Product (GDP)

UK GDP

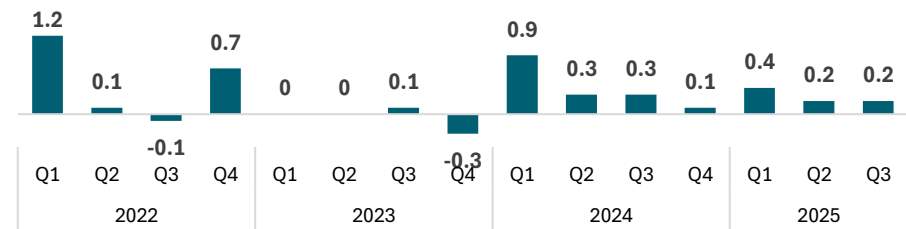
The UK economy grew by 0.1% in Q3 2025.¹ This was below the 0.2% expected by the Bank of England (BoE) and analysts surveyed by Reuters, and a noticeable slowdown from 0.3% in Q2 and 0.7% in Q1.² Slower growth in Q3 was mainly driven by the production sector which fell by 0.5%. In the three months to October 2025 GDP fell by 0.1%, following growth of 0.1% in the three months to September and 0.2% in the three months to August. Monthly GDP is estimated to have fallen by 0.1%, following a fall of 0.1% in September 2025 and no growth in August 2025. Services fell by 0.3% and construction fell by 0.6%, whereas production grew by 1.1%, in October 2025³

Scotland GDP

Scotland's GDP increased by 0.2% in Quarter 3 of 2025 (July to September), following a similar 0.2% rise in Quarter 2 (April to June).⁴ Growth in the Business Services and Finance sector provided

the largest positive contribution to overall GDP. Monthly figures for 2025 show that in the three months to October Scotland's GDP grew by an estimated 0.2%⁵. This follows a growth of 0.2% in the three months to September 2025 and a revised growth of 0.5% in the three months to August 2025. Professional, Scientific and Technical Services made the largest positive contribution to overall GDP growth.

Quarter on Quarter GDP Change (%) (Scotland)



Economic Outlook

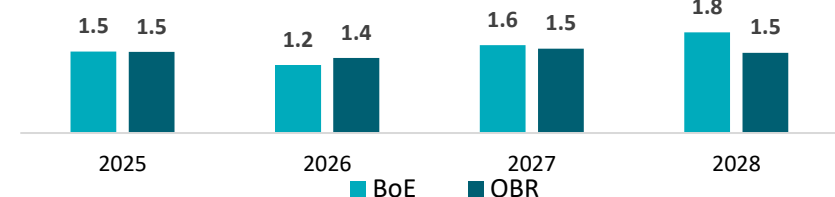
At the end of November, the Office for Budget Responsibility (OBR) published new UK economic forecasts alongside the UK budget.⁶ OBR's growth, inflation and unemployment forecasts are closely in line with the ones published by the Bank of England (BOE) in early November.⁷

The OBR now forecasts real GDP growth of 1.5% in 2025, 0.5 pp higher than in its March report. This is due to upward revisions in output growth during the second half of 2024 and stronger-than-expected growth in the first quarter of 2025, which reached 0.7%.

The OBR expects that soon-to-be-released data will show that inflation over the 12 months of 2025 has been 3.5%. Inflation in 2026 is expected to decrease to 2.5%. Both figures are higher compared to its March forecast (0.2 pp and 0.4 pp, respectively). OBR expects inflation to return to the BoE's 2% target in 2027, a year later than in its March report.

The OBR also expects UK unemployment to remain close to its current rate of 5% until 2027, before reaching what is thought to be the current equilibrium rate – that is the steady rate that may be expected in the current conditions – of around 4%. The employment rate is projected to remain broadly stable between 2025 and 2031, as a cyclical fall in unemployment is offset by a structural decline in participation driven by an ageing population and rising sickness-related inactivity.

Forecasts for annual GDP growth, UK (%) (November 2025)



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: October 2025](#) (December 2025).

⁴ Scottish Government [GDP First Quarterly Estimate 2025 Q3 \(July to September\)](#) (November 2025).

⁵ Scottish Government. [GDP Monthly Estimate: October 2025](#) (December 2025)

⁶ OBR [Economic and fiscal outlook](#) (November 2025)

⁷ BoE. [Monetary Policy Report](#) (November 2025).

Inflation and the Cost of Living



October saw a slight uptick in price pressures for Scottish businesses

The Business Insights and Conditions Survey (BICS)¹ found that **21.1% of Scottish businesses reported price increases for goods and services bought in October compared with September 2025**, an increase from the previous month (20%).

A similar increase was seen in the proportion of businesses that increased the prices of goods and services sold (9.3% up from 6.8%)

Labour costs remain the most common source of price pressures, with **28.7% of businesses considering raising prices due to labour costs.**



Consumer confidence remains subdued

In October 2025, the Scottish Consumer Sentiment Indicator increased by 1.5 points to -6.6, driven by an increase in confidence regarding the current Scottish economy and household spending, and an increase in expectations for household finances.²

However, data from Understanding Scotland suggest **confidence is still weaker compared to last year**, with 7 in 10 people reporting that general economic conditions are worse now compared to 12 months ago (up 3 pp over last quarter's figure). Around half of the respondents have reduced non-essential spending (53%), cut back on leisure activities (51%) or saved less than usual (45%) due to money concerns.



Inflation eased to 3.2% in November, below analysts' expectations

Inflation in the UK fell to 3.2% in November 2025, down from 3.6% in October.⁶ This was below analysts' expectation for November (3.5%).⁷

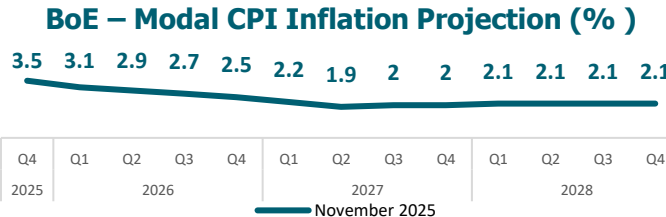
The decline in November's inflation was driven by the food and non-alcoholic beverages category, as well as the alcohol and tobacco category.

Core inflation fell to 3.2% in November 2025 (down from 3.4% in October). **Services inflation also fell to 4.4%**, down from 4.5% in October. 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 more rapid easing of inflation 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.



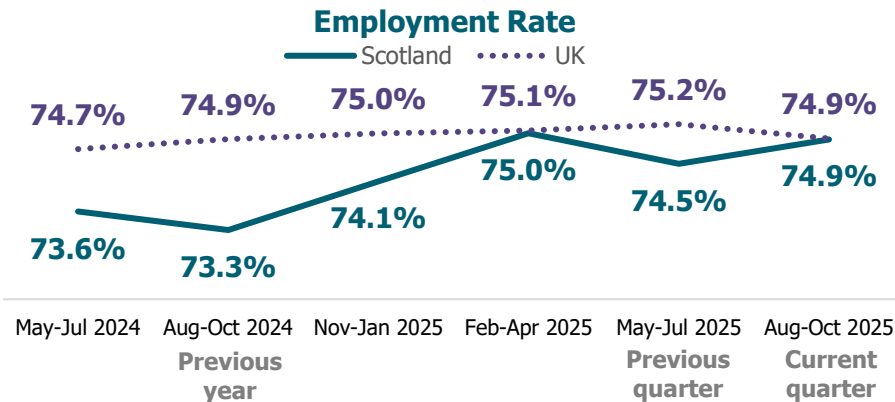
¹ Scottish Government. [BICS weighted Scotland estimates: data to wave 144](#) (November 2025).
² Scottish Government [Scottish Consumer Sentiment Indicator: Monthly Data – Oct](#) (November 2025)
³ [Understanding Scotland Economy Tracker](#) (November 2025)
⁶ ONS. [CPI, UK: November 2025](#) (December 2025).
⁷ FT. [UK inflation falls more than expected to 3.2% in November](#) (December 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.

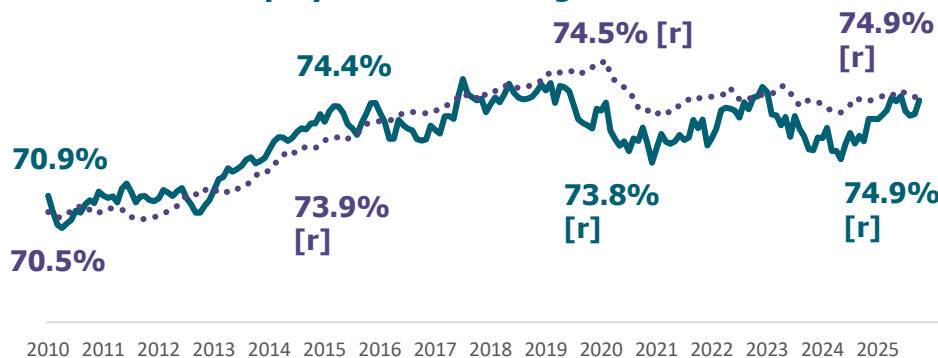
Employment Rate (16-64)¹

➤ **Scotland's employment rate was estimated to be 74.9%**

- The latest data suggests Scotland's employment rate was **74.9%** in the period covering August to October 2025. The rate increased compared with the previous quarter (0.4 pp increase).*



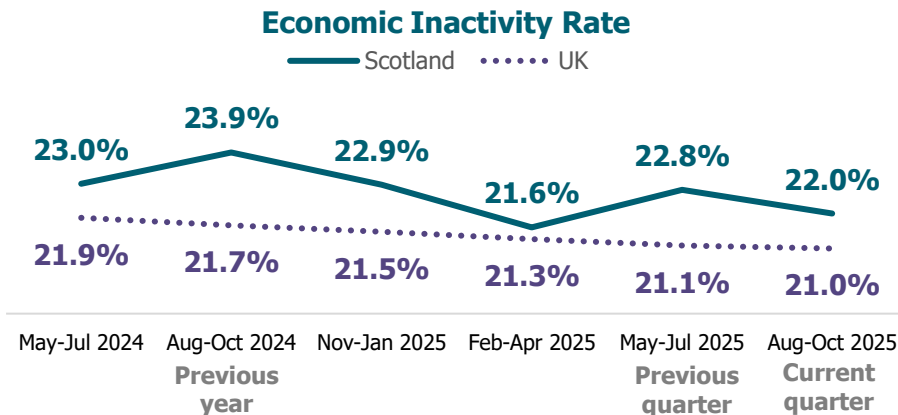
Employment Rate: Longer-term trend



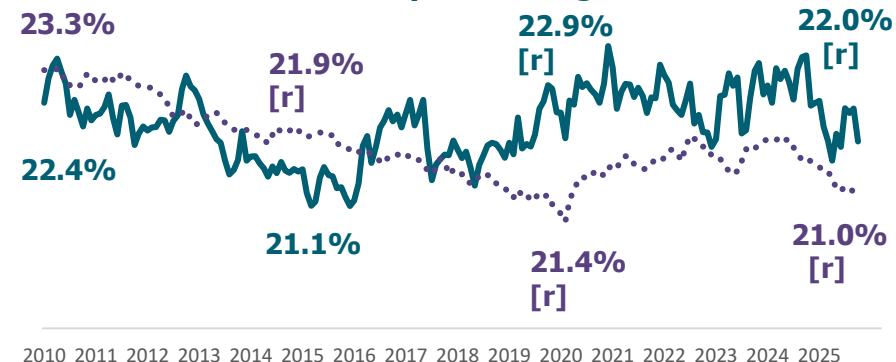
Economic Inactivity (16-64)¹

➤ **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 August to October 2025. The economic inactivity rate was 0.7 pp lower than last quarter.*



Economic Inactivity Rate: Longer-term trend



¹ ONS, Labour Force Survey (16th December 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.

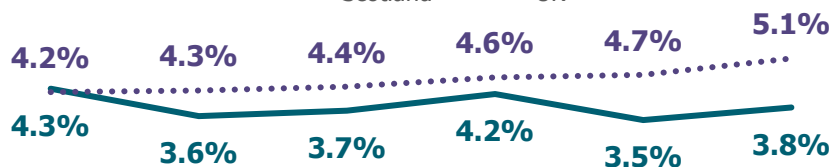
Unemployment (16+)¹

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

- The latest data suggests Scotland's unemployment rate was **3.8%** in the period covering August to October 2025. This is an increase of 0.3 pp compared with the last quarter.*

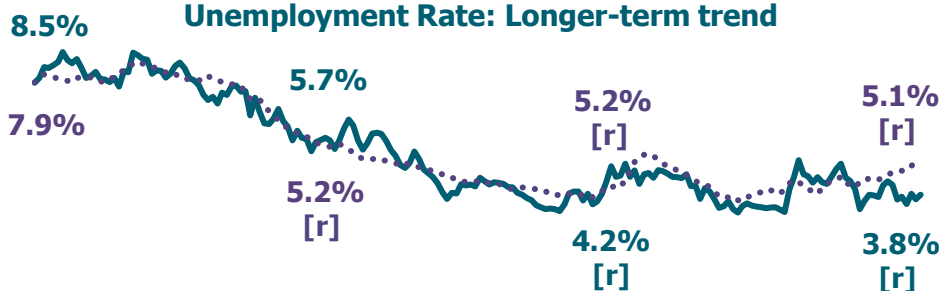
Unemployment Rate

— Scotland UK



May-Jul 2024 Aug-Oct 2024 Nov-Jan 2025 Feb-Apr 2025 May-Jul 2025 Aug-Oct 2025
Previous year Previous quarter Current quarter

Unemployment Rate: Longer-term trend



2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024 2025

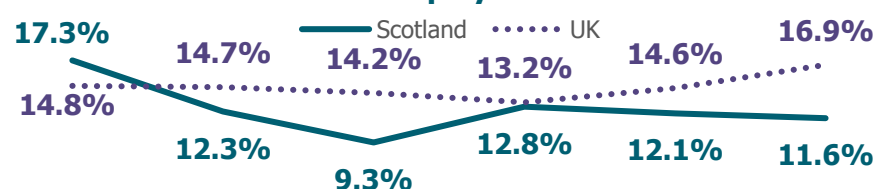
Youth Unemployment (16-24)^{1,2}

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

- The latest data estimates that Scotland's youth unemployment rate was **11.6%** in the period covering August to October 2025.* This is lower than the same period of the previous year (0.7 pp decrease), but it is important to note the declassification of LFS data and the small sample sizes that youth unemployment is based on.**

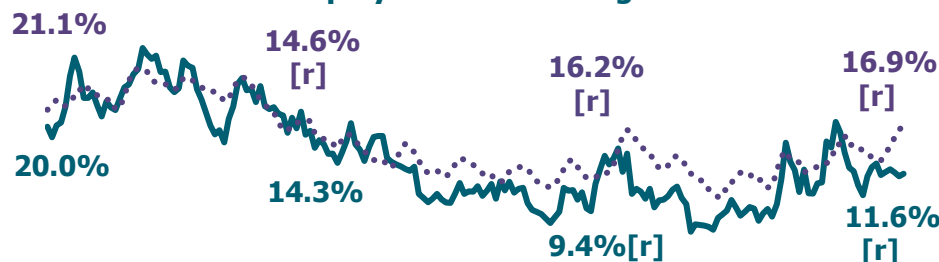
Youth Unemployment Rate

— Scotland UK



May-Jul 2024 Aug-Oct 2024 Nov-Jan 2025 Feb-Apr 2025 May-Jul 2025 Aug-Oct 2025
Previous year Previous quarter Current quarter

Youth Unemployment Rate: Longer-term trend



2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024 2025

¹ ONS. Labour Force Survey (16th December 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

694,200

people claiming Universal Credit in Scotland in November 2025

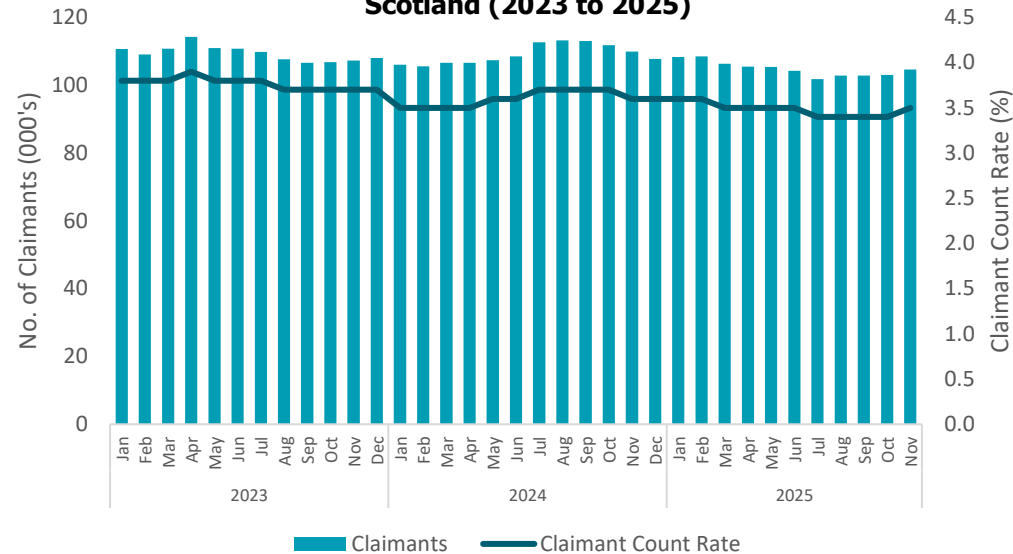
Between October and November 2025, 12,600 additional people in Scotland claimed Universal Credit, an increase of 1.8%. This continues a trend of increase from June 2022. The overall rise has been driven by an increase in claimants not in work.¹ Since January 2023, the proportion of claimants in work 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 November 2025 (104,600 claimants)

Between October and November 2025, the Claimant Count increased. The number of claimants increased by 1,600, 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

5,000*

Redundancies in the three months to October 2025 in Scotland

2.2*

Redundancies per 1,000 people (5.3 in the UK)

The number of people who were made redundant in Scotland increased by 1,600 in the three months to October 2025 compared with the three months to October 2024.

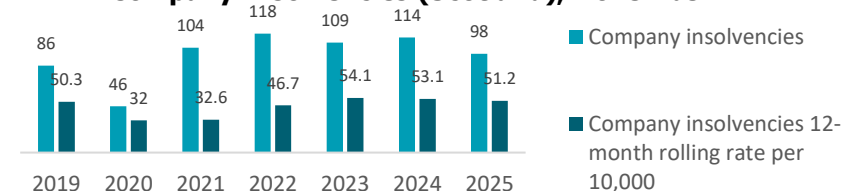
*Please note estimates are based on a small sample and should be used with caution.

98

Company insolvencies in Scotland, November 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), November



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

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

³ ONS. Labour Force Survey (16th December 2025).

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

Job Postings in Scotland^{1,2}

Provisional data for November suggests that online job postings in Scotland decreased compared with October, falling to 36,600.

Postings decreased by 11.9% or -4,900 compared with October and decreased by 0.9% or -300 compared with November 2024. The three-month-rolling average also decreased by 1.9% for September to November compared with August to October.

The highest demand in November was for occupations such as:

- Sales Related Occupations;
- Cleaners and Domestic;
- Care Workers and Home Carers;
- Kitchen and Catering Assistants; and
- Large Goods Vehicle Drivers.

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

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

Increase:

- Bar Staff (+100);
- Waiters and Waitresses (+100); and
- Vehicle Technicians, Mechanics and Electricians (+50).

Decrease:

- Care Workers and Home Carers (-300);
- Sales and Retail Assistants (-200); and
- Social Workers (-200).

The skills in highest demand in November were:

Common skills

- Communication;
- Customer Service; and
- Management.

Specialised skills

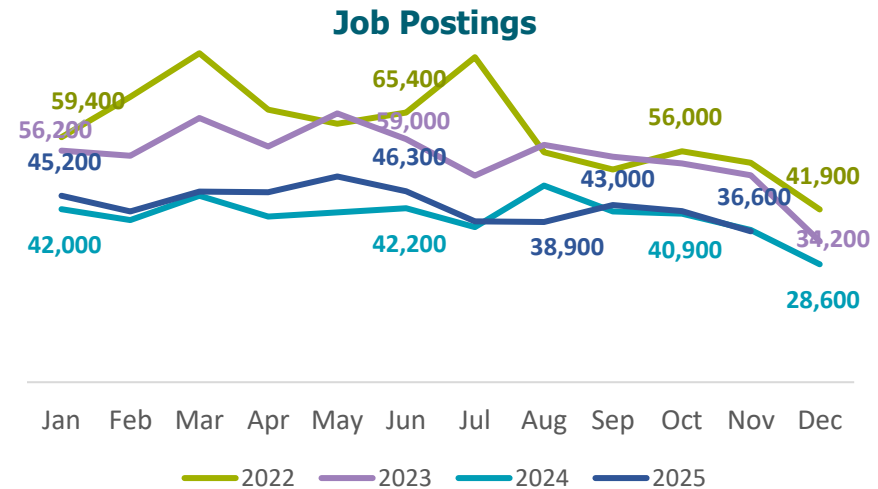
- Continuous Improvement Process;
- Project Management; and
- Auditing.

Public and private sector postings in November:

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

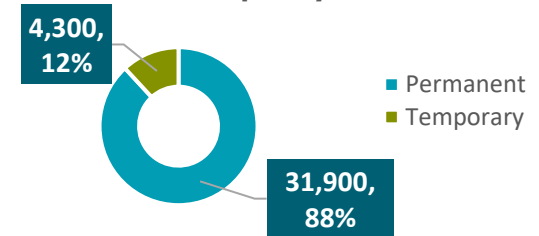
¹ Lightcast (December 2025). Lightcast gathers insights from online job postings.

² Numbers rounded to the nearest 100.

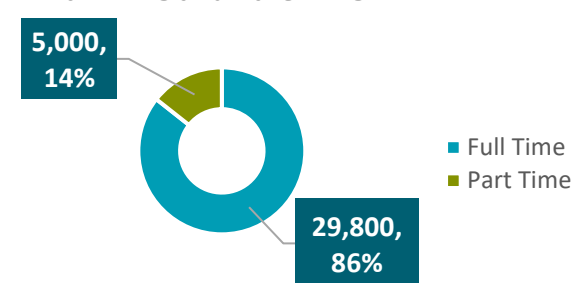


Job Postings in Scotland, November 2025

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.

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