Skills Development Scotland

Economy, People and Skills

July 2026

Contents

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.

Labour market conditions across the UK remained broadly stable in the three months to May, but weaker than a year ago. The Scottish labour market also remained relatively weak and important influences, such as continued global uncertainty and disruption to energy markets, point to a more cautious outlook.

The UK labour market remained subdued while Scottish data suggests signs of increased activity

In the UK, demand for labour has continued to ease, with UK vacancies falling by 0.8% in April to June, compared with January to March. ONS data also indicates the UK labour market remained broadly stable in the three months to April, although weaker than a year earlier. Employment rose slightly to 75.1%, whilst economic inactivity fell (-0.1pp) and unemployment remained the same. More recent PAYE data suggests little short-term movement, with UK employment down by less than 0.1% in June compared with May, and remaining below last year's levels.

In Scotland, PAYE data on payrolled employment also showed little change from last month and was 0.1% lower than last year. LFS data suggests that the Scottish labour market showed signs of increased participation, with inactivity falling as more people moved into work or actively sought employment. Employment increased to 74.3% (+0.3pp), and unemployment rose to 4.7% (+0.5pp) in the three months to May, whilst inactivity decreased to 21.8% (-0.8pp), although it is important to note that these statistics have been declassified, so they should be treated with caution.

Inflation fell to a lower rate than predicted and UK wage growth was unchanged

Price pressures across the UK have eased with inflation falling below expectations to 2.6% in June (down from 2.8% in May), although higher energy bills are likely to push prices up from July, which may affect future rates. Annual regular pay growth remained at 3.4 per cent in the three months to May 2026.

The UK economy showed renewed momentum at the start of 2026, but Scotland's recovery remains more measured

Economic growth in the UK strengthened at the start of the year, with GDP rising to 0.6% in Q1, which may partly reflect activity being brought forward in anticipation of rising energy costs. In Scotland, growth has been more modest with 0.1% growth recorded in Q1, however both business and consumer sentiment show a slight improvement in the outlook this month.

Future outlook

Recent research by the Fraser of Allander Institute (FAI) reports stronger-than-expected economic performance in early 2026, leading to an upward revision of Scotland's GDP growth forecast from 0.9% to 1.0%. However, they continue to urge caution, noting that while this reflects resilience among businesses and households, growth remains modest, and factors including ongoing risks from higher energy and transport costs amid continued global disruption mean the outlook remains uncertain.

Today the Bank of England also voted to maintain UK interest rates at 3.75% reflecting this uncertain outlook. New projections released at the same time will be explored in more depth in next month's report.

In July, a new UK Prime Minister was appointed. Initial announcements include the introduction of policies to reduce the cost of living.

UK and Scotland Economy - Gross Domestic Product (GDP)

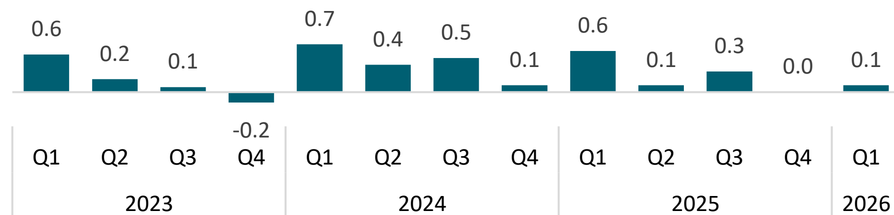
UK GDP

UK GDP is estimated to have grown by an unrevised 0.6% in Q1 2026, following revised growth of 0.1% in Q4 2025.[1] GDP grew by 0.7% in the three months to May, following growth of 0.8% in the three months to April and 0.6% in the three months to March. In May, monthly GDP grew by 0.1%, following a fall of 0.1% in April and 0.3% in March.[2] Annual GDP is estimated to have increased by 1.4% in 2025, revised up from 1.3%, following unrevised growth of 1.1% in 2024.[1]

Scotland GDP

Scotland's GDP is estimated to have grown by 0.1% in Q1 2026, following a revised estimate of no growth in the previous quarter.[3] Both the Services sector and Construction sector grew by 0.2% in this quarter. Monthly figures show that in the three months to May 2026 Scotland's GDP grew by 0.6%[4], this follows growth of 0.2% in the three months to April and 0.1% in the three months to March. Monthly GDP is estimated to have grown by 0.1% in May 2026. The first estimate for annual growth suggests that in 2025, Scotland's GDP grew 1.4%, up from a revised growth of 1.1% in 2024 and 0.7% in 2023.

Quarter on Quarter GDP Change (%) (Scotland)



Economic Outlook

In June, the Fraser of Allander Institute (FAI) reported that Scotland's economy had shown resilience in 2026, although signs of labour market weakening and ongoing global uncertainty point to a more cautious outlook[5]

The Fraser of Allander Institute (FAI) reports stronger-than-expected economic performance in the first four months of 2026, leading to an upward revision of their 2026 GDP growth forecast for Scotland from 0.9% to 1.0%. Whilst demonstrating continued resilience among businesses and households, growth remains modest, and the wider outlook continues to be shaped by external risks and uncertainty.

The latest FAI economic commentary also notes there are signs that labour market conditions are softening and employers may be taking a more cautious approach to recruitment. Inflationary pressures have eased, but higher energy and transport costs continue to pose risks, particularly if instability in energy markets persists. The Institute concludes that while recent economic performance is encouraging, caution remains warranted given the uncertain global environment and indications of weaknesses in the labour market.

UK policy changes are expected with the appointment of the new UK Prime Minister

Initial commentary following the appointment of Andy Burnham as the new leader of the UK Labour party, suggests a shift towards greater regional devolution, public service reform, and targeted action on issues such as the cost of living, housing, and youth employment, while maintaining Labour's overall direction in government. Early policy announcements include efforts to reduce household costs.[6]

[1] ONS. GDP quarterly national accounts, UK: January to March 2026 (June 2026).
[2] ONS. GDP monthly estimate, UK: May 2026 (July 2026).
[3] Scottish Government GDP Quarterly National Accounts: 2026 Quarter 1 (June 2026).
[4] Scottish Government GDP Monthly Estimate: May 2026 (July 2026)
[5] FAI Economy remains resilient despite global uncertainty (June 2026).
[6] Financial Times Andy Burnham's first speech as PM (July 2026)

Economy, People and Skills

Inflation and the Cost of Living

Business activity data presents a varied picture

The latest Royal Bank of Scotland tracker reports a decline in Scottish private sector activity for three straight months, although the data suggests less of a reduction than the previous month. The Business Activity Index was 47.1 in May and 47.6 in June.[1] Anecdotal evidence suggests reasons for the decline in activity in June include a weaker economic climate and slower intake of new work, however June data does also show a slight uptake in employment across the private sector.

The headline S&P Global Flash UK PMI returned to growth in July at 52.1 (up from 49.3 in June),[2] the first registered increase in output since April supported by an uptick in new work.

Consumer sentiment improving

The Scottish Consumer Sentiment Indicator remained in negative territory in June at -8.2 and was more negative this quarter compared to last.[3] However, over the last three months, the composite indicator has improved (Apr: -16.7, May: -13.0, June: -8.2).

At the UK level, consumer sentiment reached a four-month high, with the S&P Global index at 43.4 in July (up from 42.2 in June), whilst remaining in negative territory.[4]

The GfK's UK consumer confidence index is also up six points to -17,[5] the largest increase since November 2023. The 'Burnham Bounce' accounts for some of this as well as hope that potential stability in the middle east could bring down UK fuel prices.

UK inflation fell to 2.6% in June, exceeding expectations

Inflation fell to 2.6% in June.[6] This was a 15-month low and a greater fall than analysts' predictions of 2.7%.[7]

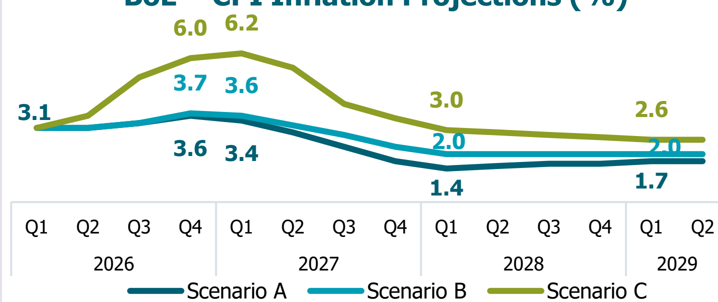
The fall in June was driven by a reduction in petrol prices as well as food and non-alcoholic beverages costs.

Services inflation also decreased to 3.6% in June, from 3.7% in May. Core inflation remained unchanged at 2.6%.

Inflation forecast*

In their inflation projections published in April 2026*,[8] the Bank of England (BoE) set out three scenarios (A, B & C) to illustrate possible outcomes, with no central forecast. The scenarios varied across two key sources of uncertainty: global oil and gas price paths and the strength of second-round effects in domestic prices and wages. Scenario A assumed a temporary energy shock, Scenario B more persistent price pressures, and Scenario C - a more adverse outcome with stronger inflationary effects and a tighter required monetary policy stance. In all three scenarios the inflation projections start a little above 3% in Q1 2026, then diverge: Scenario C spikes sharply to 6% by the end of 2026 before steadily easing back toward 3% by 2028, while the other two scenarios rise more modestly into the mid-3% range by the end of 2026 and then drift downward, dipping to around 2% (and briefly closer to the mid-1% range in Scenario A) by Q1 2028.

BoE – CPI Inflation Projections (%)*



This report was finalised ahead of the BOE's new Monetary Policy Report publication on 30th July. Their updated inflation projections will be reflected in next month's report

[1] RBS. Growth Tracker (July 2026).
[2] S&P. Global Flash UK PMI (July 2026).
[3] Scottish Government. Scottish Consumer Sentiment Indicator: Monthly data (July 2026).
[4] S&P. Global UK Consumer Sentiment Index (July 2026).
[5] GfK. Consumer confidence up six points to -17 in July (July 2026).
[6] ONS. CPI, UK: June 2026 (July 2026).
[7] FT. UK inflation falls more than expected to 2.6% in June (July 2026).
[8] BoE. Monetary Policy Report (April 2026).

Economy, People and Skills

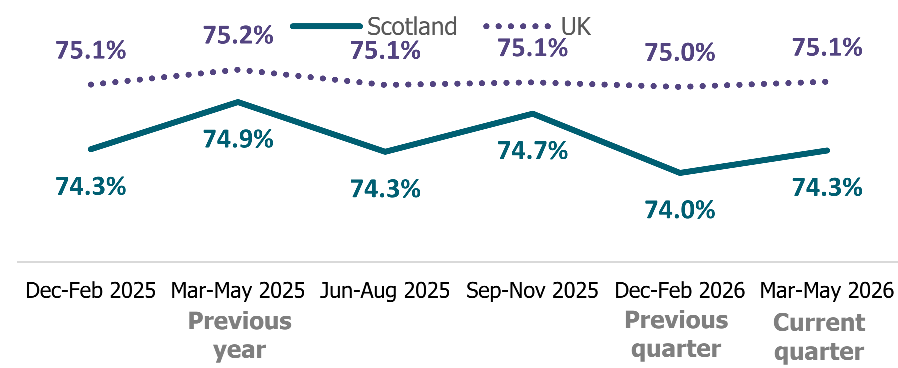
The ONS published revised LFS estimates from 2011 for the UK (except for youth unemployment, which is from 2019) and from 2019 for Scotland in December 2024. The revised data incorporates new population estimates, including the Scottish 2022 Census, helping to make LFS estimates more representative. Scotland shows the biggest revisions due to population changes, but rates remain similar. The revisions cause a step change discontinuity between revised and un-revised data, and therefore the longer-term trend graph indicates where data is revised with a [r] in the data label.

Employment Rate (16-64)[1]

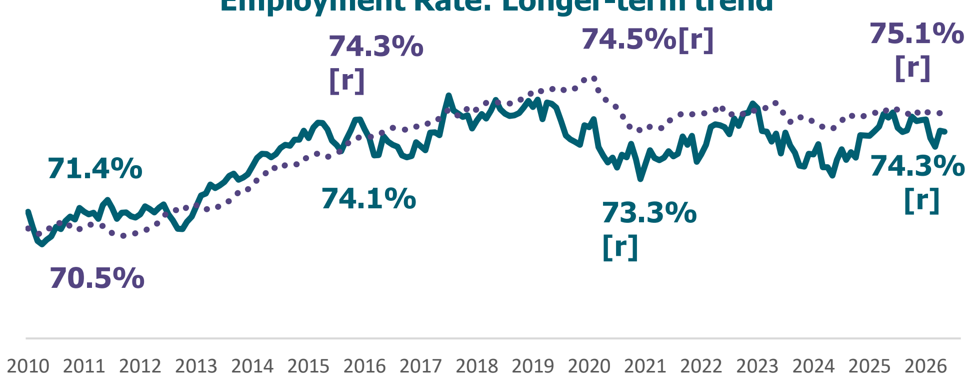
Scotland's employment rate was estimated to be 74.3%

- The latest data suggests Scotland's employment rate was **74.3%** in the period covering March to May 2026. The rate increased compared with the previous quarter (0.3 pp increase).*

Employment Rate



Employment Rate: Longer-term trend

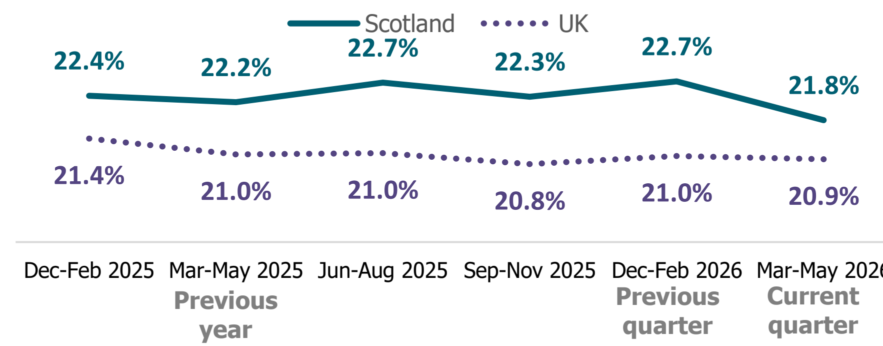


Economic Inactivity (16-64)[1]

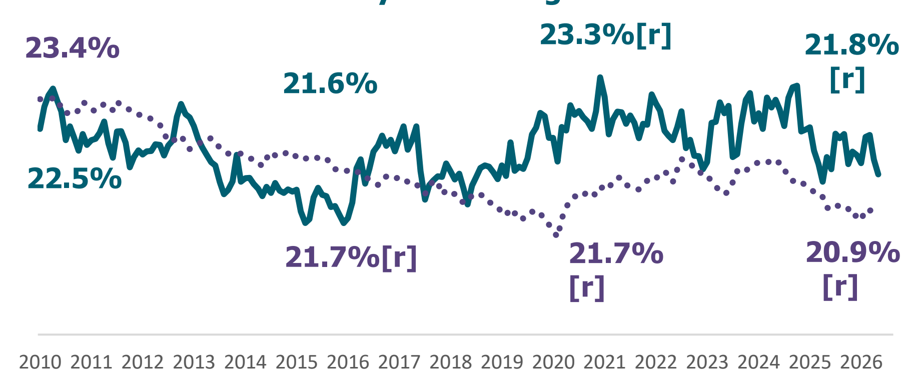
The 16-64 Scottish economic inactivity rate was estimated to be 21.8%

- The latest data suggests that Scotland's economic inactivity rate was **21.8%** in March to May 2026. The economic inactivity rate decreased compared with the previous quarter (0.8 pp decrease).*

Economic Inactivity Rate



Economic Inactivity Rate: Longer-term trend



[1] ONS. Labour Force Survey (21st July 2026).
*Figures may not sum due to rounding.

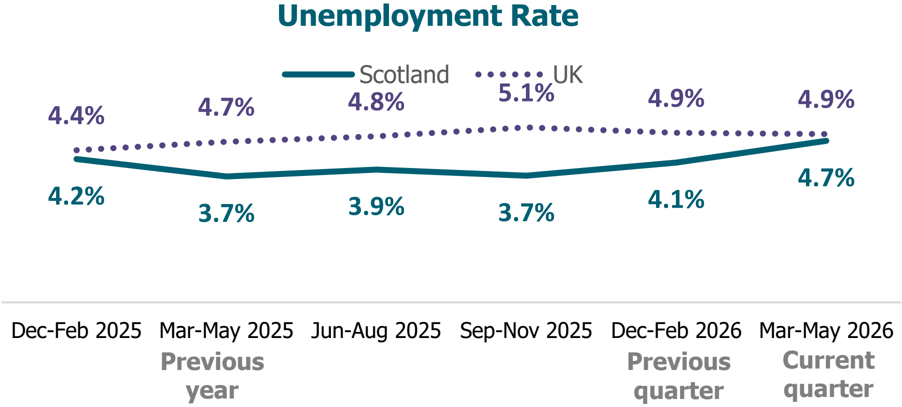
Economy, People and Skills

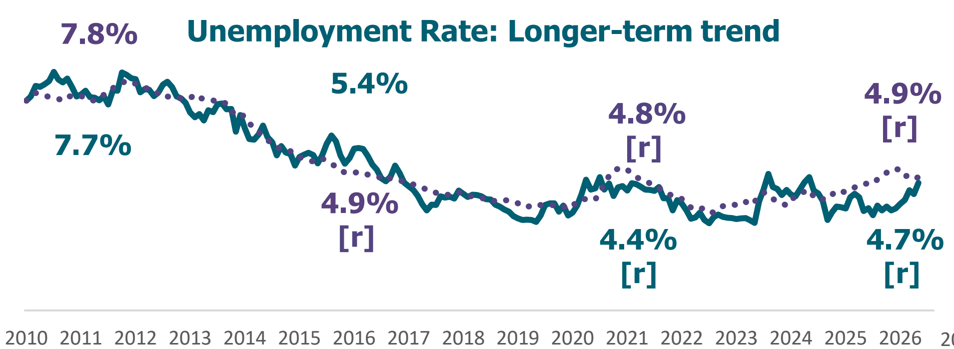
The ONS published revised LFS estimates from 2011 for the UK (except for youth unemployment, which is from 2019) and from 2019 for Scotland in December 2024. The revised data incorporates new population estimates, including the Scottish 2022 Census, helping to make LFS estimates more representative. 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 4.7%

- The latest data suggests Scotland's unemployment rate was **4.7%** in the period covering March to May 2026. This is an increase of 0.5 pp compared with the last quarter.*

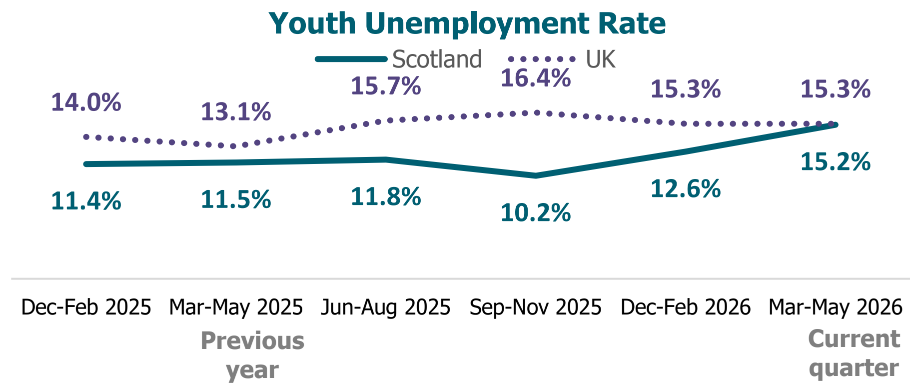


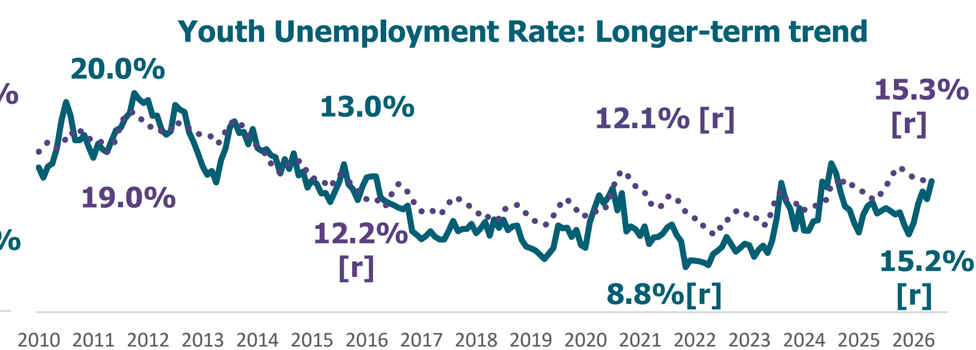


Youth Unemployment (16-24)[1,2]

16-24 youth unemployment in Scotland was estimated to be 15.2%

- The latest data estimates that Scotland's youth unemployment rate was **15.2%** in the period covering March to May 2026.** This is higher than the same period the previous year (3.8 pp increase*), but it is important to note the declassification of LFS data and the small sample sizes that youth unemployment is based on.**





[1] ONS. Labour Force Survey (21st July 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.

Economy, People and Skills

Universal Credit[1] and Claimant Count Rate[2]

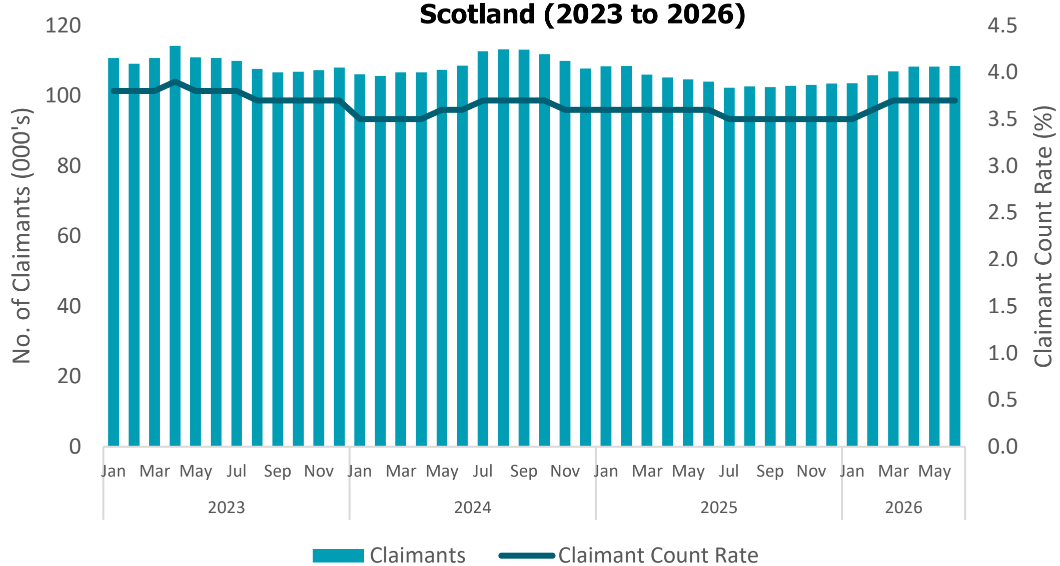
695,000 **people claiming Universal Credit in Scotland in February 2026**

Between January and February 2026, 2,100 additional people in Scotland claimed Universal Credit, an increase of 0.3%.[1] This represents an increase of 93,000 (or 15.4%) with respect to February 2025.

3.7% **Claimant Count rate in Scotland in June 2026 (108,400 claimants)**

Between May and June 2026, the Claimant Count increased by 200 and the Claimant Count rate remained the same. 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)



Redundancies[3] and Company Insolvencies[4]

15,000* **Redundancies in the three months to May 2026 in Scotland**

6.4* **Redundancies per 1,000 people (3.7 in the UK)**

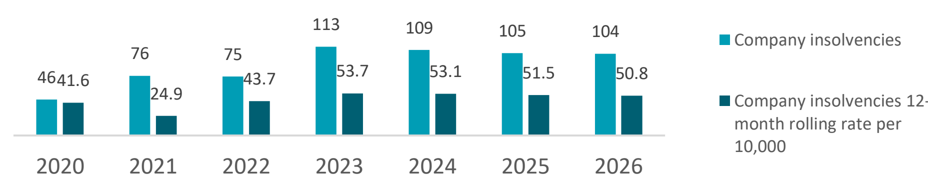
The number of people who were made redundant in Scotland decreased by 5,900 in the three months to May 2026 compared with the three months to May 2025.

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

104 **Company insolvencies in Scotland, June 2026**

Following a reduction during the pandemic, company insolvencies have since increased. In June 2026 the number of insolvencies and 12-month rolling rate of insolvencies were higher than in June 2020 but lower compared to June 2025.

Company Insolvencies (Scotland), June



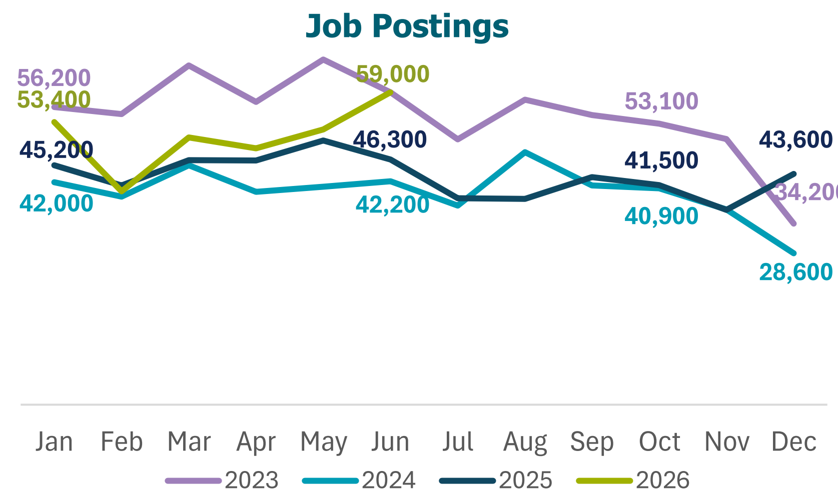
[1] Department for Work and Pensions (May 2026). From May 2026, Universal Credit statistics will be released on a quarterly basis each February, May, August and November. From the release on 12 May 2026, the People on Universal Credit data series has been updated to include self-employment information as part of the Employment Indicator field.
[2] ONS. Claimant Count (July 2026). Experimental statistics. July data is provisional.

[3] ONS. Labour Force Survey (21st July 2026).
[4] The Insolvency Service. [Monthly Insolvency Statistics, June 2026](#) (July 2026).

Economy, People and Skills

Job Postings in Scotland[1,2]

Provisional data for June suggests that online job postings in Scotland increased compared with May, rising to 59,000. Postings increased by 13.5% or 7,000 postings compared with May 2026 and increased by 27.3% or 12,600 postings compared with June 2025. The three-month rolling average job postings measure increased 5.4% from April to June 2026, compared with March to May. Temporary roles made up 17% of job postings in Scotland in June, decreasing by 0.6 compared to May 2026 and rising by 4.1 pp compared with June 2025.



The highest demand in June was for occupations such as:

- Cleaners and Domestics;
- Care Workers and Home Carers;
- Sales Related Occupations n.e.c.;
- Chefs; and
- Managers and Directors in Retail and Wholesale.

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

The following occupations had the largest change in job postings in June compared with May:

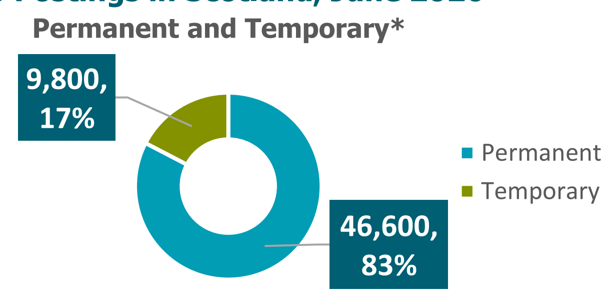
Increase:

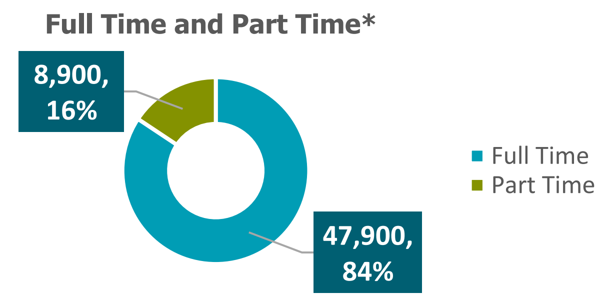
- Cleaners and Domestics (+400);
- Chefs (+400); and
- Care Workers and Home Carers (+400).

Decrease:

- Secondary Education Teaching Professionals (-200);
- Social Workers (-100); and
- Finance and Investment Analysts and Advisers (-50).

Job Postings in Scotland, June 2026





* 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.

The skills in highest demand in June were:

Common skills

- Communication;
- Customer Service; and
- Management.

Specialised skills

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

Public and private sector postings in June:

- In June, the top 10 organisations with the most job postings were broadly split between public and private sectors.

[1] Lightcast (July 2026). Lightcast gathers insights from online job postings.
[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 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