

Skills  
Development  
Scotland

# Economy, People and Skills

April 2026



# Contents

<b>Introduction</b>	3
<b>Scotland's Economy</b>	
Scotland's Economy - Gross Domestic Product	4
Economic Outlook	4
Inflation and the Cost of Living	5
<b>Headline Labour Market Indicators</b>	
Employment Rate	6
Economic Inactivity	6
Unemployment	7
Youth Unemployment	7
Unemployment Benefits - Trends	8
Redundancies and Company Insolvencies	8
Job Postings in Scotland	9
<b>SDS Support</b>	
LMI Resources	10
Support for Individuals and Businesses	10

# 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.**

**The UK labour market remained weak but broadly unchanged, with small falls in employment and job vacancies. In Scotland, labour market conditions softened moderately, with falling employment, rising inactivity, and rising unemployment, despite a pickup in job postings. The OECD and the IMF expect the UK to be among the hardest hit G20 and G7 economies, respectively, with weaker near-term growth and higher inflation driven by energy price shocks, supply chain pressures and geopolitical uncertainty.**

## **UK labour market remained weak but largely unchanged, Scotland's labour market weakened**

The UK labour market remained largely unchanged, with small declines in employment and vacancies and payrolled employment still below last year's levels. Employment in the UK decreased slightly in the three months to February 2026 compared with the previous quarter (-0.1 pp). Unemployment also decreased to 4.9% (-0.2 pp), while economic inactivity increased to 21.0% (+0.2 pp). This reflects an increase in the number of students not seeking work. PAYE employment was broadly stable in March with respect to February (less than 0.1% decrease) but remained 0.2% lower than in March 2025. Job vacancies decreased between January and March 2026 (-3.9%) relative to October to December 2025, and with respect to January to March 2025 (-8.3%).

Scotland's labour market showed signs of weakening, despite rising job postings. In the three months to February 2026, employment decreased to 74.0% (-0.7 pp), while economic inactivity increased to 22.7% (+0.4 pp); over the same period, unemployment also rose to 4.1% (+0.4 pp). PAYE employment remained broadly unchanged relative to the previous month (less than 0.1% increase) but remained lower than in March 2025 (-0.1%). Provisional data on job postings in Scotland shows an increase in March 2026 to 50,800, up by 4,500 (9.8%) compared to March 2025.

## **Inflation accelerated in March driven by fuel prices**

Wage and price pressures across the UK have continued to ease, with annual regular pay growth falling to 3.6% in the three months to February 2026 (-0.8 pp compared to the previous quarter). Headline inflation rose to 3.3% in March 2026, in line with analysts' expectations, as the Middle East conflict triggered the sharpest rise in petrol and diesel prices in over three years. The UK economy continued the trend of slow growth in Q4 2025, with unrevised GDP growth of 0.1%, lower than the GDP growth analysts expected (0.2%). Scotland's GDP increased by 0.2% in Q4 2025, revised up from 0.1% in the first estimate.

## **Future outlook**

Updated forecasts from the Organisation for Economic Co-operation and Development (OECD) and the International Monetary Fund (IMF) point to a weaker UK economic outlook alongside renewed inflationary pressures in 2026, reflecting heightened geopolitical risks in the Middle East and their implications for energy markets. Both organisations have issued 0.5 pp downgrades to the UK's growth forecast, among the largest across advanced economies, while revising inflation expectations upwards. The IMF highlighted that high public borrowing and debt-servicing costs are likely to amplify the UK's exposure to the energy shock and limit fiscal support. Against this backdrop, the Fraser of Allander Institute has also revised down their 2026 growth forecast for Scotland from 1.1% to 0.9%

Given the uncertainty surrounding the conflict in the Middle East, there are some risks to the economic outlook, including the possibility of prolonged disruption to global energy supplies, further escalation of geopolitical tensions, and renewed pressures on supply chains. These risks could lead to higher inflation, tighten financial conditions and further weigh on growth.

## UK and Scotland Economy - Gross Domestic Product (GDP)

### UK GDP

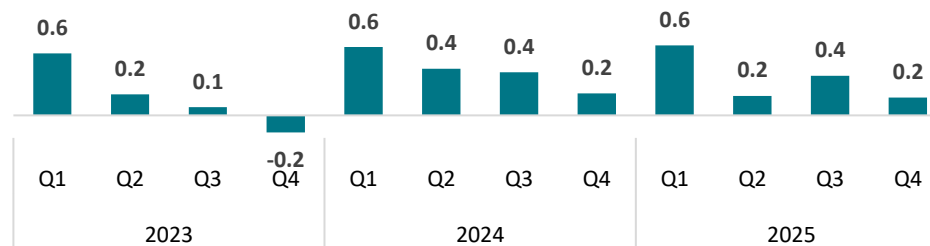
The UK economy grew by an unrevised 0.1% in Q4 2025.<sup>1</sup> This follows a 0.1% growth in Q3 and 0.2% in Q2. In the three months to February 2026, GDP grew by 0.5%, following a growth of 0.3% in the three months to January (revised up from a growth of 0.2%) and no growth in the three months to December 2025 (revised down from a growth of 0.1%). Monthly GDP grew by 0.5% in February 2026, following a growth of 0.1% in January 2026 (revised up from showing no growth) and 0.1% in December 2025.<sup>2</sup> 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.<sup>1</sup>

### Scotland GDP

Scotland's GDP is estimated to have increased by 0.2% in Q4 2025, revised up from the initial estimate of 0.1%.<sup>3</sup> Manufacturing and Administrative and Support Services made the largest positive

contribution to total GDP. Monthly figures show that in the three months to February 2026 Scotland's GDP grew by 0.2%<sup>4</sup>, this follows a revised growth of 0.1% in the three months to January. Monthly GDP is estimated to have grown by 0.1% in February 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

**The Organisation for Economic Co-operation and Development (OECD) and the International Monetary Fund (IMF) have both identified the UK as facing the largest deterioration in its growth outlook among the G20 and G7 countries, respectively. Reflecting its heightened exposure to the economic impacts of the war in the Middle East. The Fraser of Allander Institute (FAI) has also downgraded its 2026 growth outlook for Scotland.**

In its Interim Economic Outlook<sup>5</sup>, the OECD downgraded UK growth in 2026 to 0.7% from 1.2% in its December 2025 forecast - the largest downgrade among G20 countries - reflecting fiscal tightening and higher energy prices linked to the Middle East conflict and leaving UK growth below the G20 average of 3%. At the same time, rising energy prices and supply-chain risks amid above-target inflation have pushed the OECD's 2026 UK inflation forecast up to 4%, up from 2.5% in the previous forecast, and above the 3.4% rate recorded in 2025.

The IMF delivered the largest downgrade of its 2026 growth outlook among G7 economies to the UK. In its April World Economic Outlook<sup>6</sup>, it forecasts UK GDP growth of 0.8% in 2026, a 0.5 pp downgrade from January, citing the UK's gas-intensive energy profile and weak growth in the second half of 2025. The IMF expects unemployment to rise to 5.6% this year, the highest in over a decade, while UK inflation has been forecast at 3.2% this year, up from 2.5% in the previous outlook, reflecting ongoing energy cost pressures.

In its latest Quarterly Economic Commentary<sup>7</sup>, the FAI revised down its 2026 growth forecast for Scotland from 1.1% in its previous forecast to 0.9%. Despite this downgrade, growth is expected to remain positive over the medium term, with GDP forecast to grow by 1.0% in 2027 and 1.1% in 2028. While recent indicators suggest the economy has retained momentum, experience from previous global shocks, such as the Russian invasion of Ukraine, shows that the full effects often emerge gradually as pressures pass through energy markets and prices.

<sup>1</sup> ONS. [GDP quarterly national accounts, UK: October to December 2025](#) (March 2026).

<sup>2</sup> ONS. [GDP monthly estimate, UK: February 2026](#) (April 2026).

<sup>3</sup> Scottish Government [GDP Quarterly National Accounts: 2025 Quarter 4 \(October to December\)](#) (April 2026).

<sup>4</sup> Scottish Government. [GDP Monthly Estimate: February 2026](#) (April 2026)

<sup>5</sup> OECD [Economic Outlook, Interim Report](#) (March 2026)

<sup>6</sup> IMF [World Economic Outlook](#) (April 2026)

<sup>7</sup> FAI [Quarterly Economic Commentary Q1 2026](#) (April 2026)

## Inflation and the Cost of Living



### Business activity slows down amid the Middle East conflict

#### The Royal Bank of Scotland (RBS) tracker reports rising costs moderating activity in Scotland.<sup>1</sup>

The headline RBS Business Activity Index fell to 50.1 in March from 50.9 in February, as global economic challenges throughout the month led to a rise in higher energy and fuel costs.

**UK private sector activity also slowed in March**, with the S&P Composite Output Index declining to 51.0 from 53.7.<sup>2</sup> This weakening reflects the impact of the conflict in the Middle East, which has weighed on demand, increased input costs and disrupted supply chains. Also, the business optimism for the year ahead fell to its lowest level since June 2025.



### Consumer sentiment weakens as energy prices rise

**In March the Scottish Consumer Sentiment Indicator fell to -15.4**, a 10.8 point decrease from February and the lowest level since April 2023.<sup>3</sup> The fall was driven by a deterioration in all the components of the indicator, particularly current household spending, as well as the current and expected performance of the Scottish economy. Sentiment has also weakened over the year, falling by 2.1 points in Q1 2026 relative to Q1 2025.

**GfK's Consumer Confidence Index fell by 4 points to -25 in April**,<sup>4</sup> driven by a fall in perceptions of the UK economy and the forward-looking measure, which fell to its lowest level since February 2023.



### Inflation increased to 3.3% in March, in line with expectations

**Inflation in the UK rose to 3.3% in March 2026**.<sup>5</sup> This was in line with analysts' expectations.<sup>6</sup>

Motor fuels made the largest upward contribution to the monthly change in inflation, while clothing provided the largest downward contribution, partially offsetting this increase.

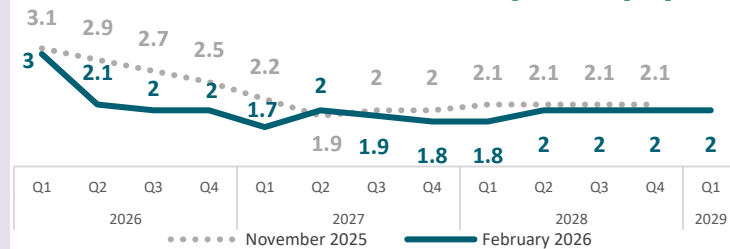
Core inflation stood at 3.1% in March, down from 3.2%. Services inflation increased to 4.5% in March, up from 4.3%. These are key measures for the Bank of England (BoE).

### Inflation forecast\*

Inflation projections from the BoE were published in February 2026.<sup>7</sup> The short-term projection for CPI inflation has been revised down from the November Report, reflecting lower energy prices, partly driven by measures in the 2025 UK Budget. The BoE now expects inflation to reach 3% in Q1 2026 before falling sharply to 2.1% in Q2. It is then projected to settle around the target of 2%, dipping slightly below it in 2027 before returning to target in 2028.

The lower short-term inflation forecast is driven by reduced energy prices following the UK Budget's energy bills package and lower wholesale gas costs. Pressures from administered prices and past National Insurance Contributions-related cost increases are also expected to ease by Q2 2026. Across the forecast horizon, the strict monetary policy both currently and over recent years, is projected to continue limiting further increases in prices and wages, allowing these pressures to gradually fade and disappear by late 2027.

**BoE – Modal CPI Inflation Projection (%)\***



\*This report was finalised ahead of the publication of the Bank of England's April Monetary Policy Report on 30<sup>th</sup> April. Updated inflation projections will be reflected in next month's report.

<sup>1</sup> RBS [Growth Tracker](#) (April 2026)

<sup>2</sup> S&P [Global Flash UK PMI](#) (March 2026)

<sup>3</sup> Scottish Government [Scottish Consumer Sentiment Indicator: 2026 Quarter 1](#) (April 2026)

<sup>4</sup> GfK [Consumer confidence score down four points in April to -25](#) (April 2026)

<sup>5</sup> ONS. [CPI, UK: March 2026](#) (April 2026).

<sup>6</sup> FT. [UK inflation accelerates to 3.3% in March as petrol prices jump](#) (April 2026)

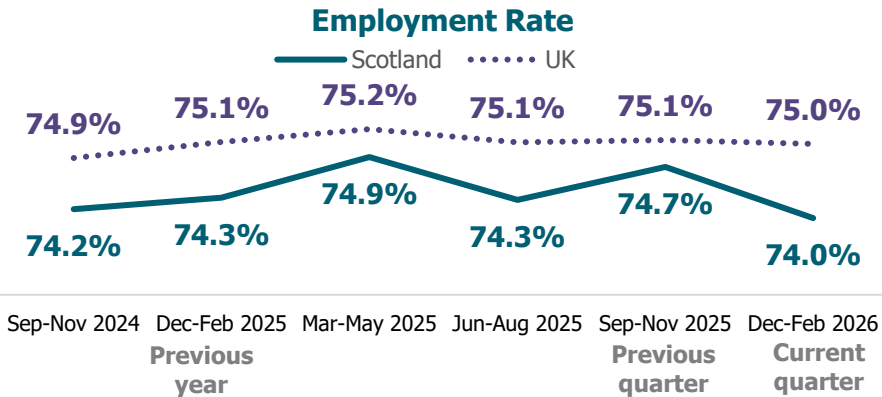
<sup>7</sup> BoE. [Monetary Policy Report](#) (February 2026).

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

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

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

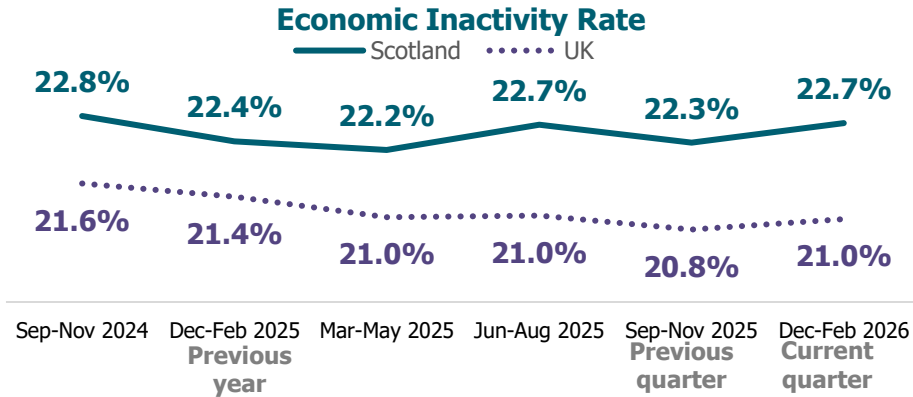
- The latest data suggests Scotland's employment rate was **74.0%** in the period covering December to February 2026. The rate decreased compared with the previous quarter (0.7 pp decrease).\*



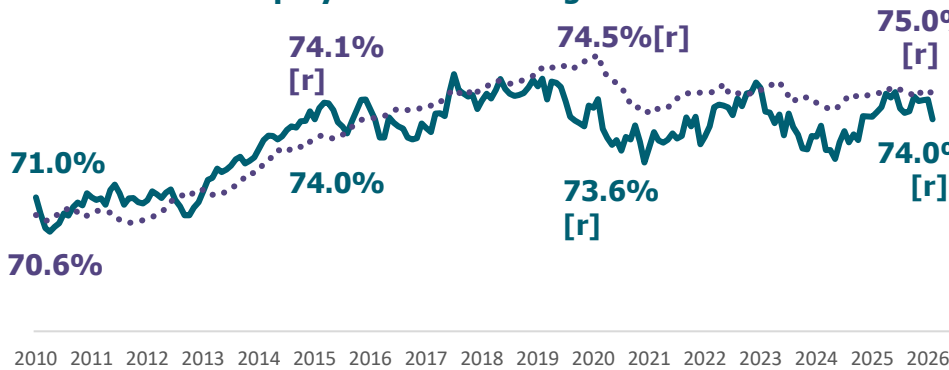
## Economic Inactivity (16-64)<sup>1</sup>

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

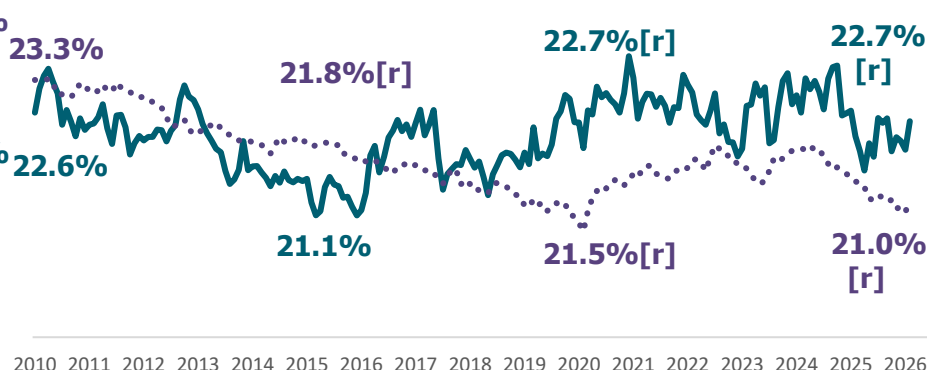
- The latest data suggests that Scotland's economic inactivity rate was **22.7%** in December to February 2026. The economic inactivity increased compared with the previous quarter (0.4 increase).\*



### Employment Rate: Longer-term trend



### Economic Inactivity Rate: Longer-term trend



<sup>1</sup> ONS. Labour Force Survey (21<sup>st</sup> April 2026).

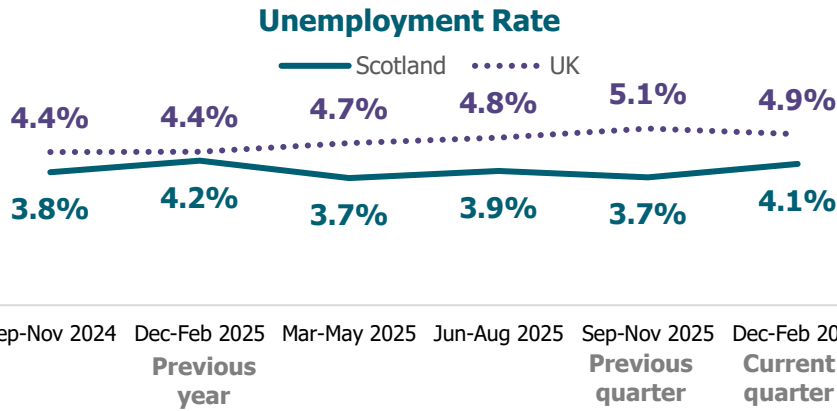
\*Figures may not sum due to rounding.

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

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

➤ **Unemployment in Scotland was estimated to be 4.1%**

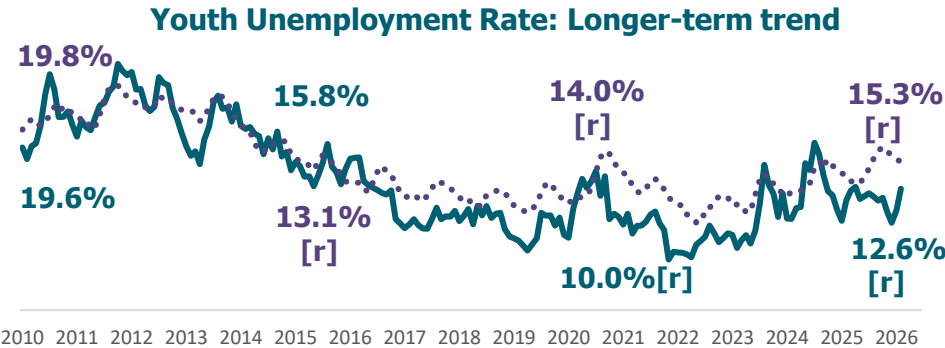
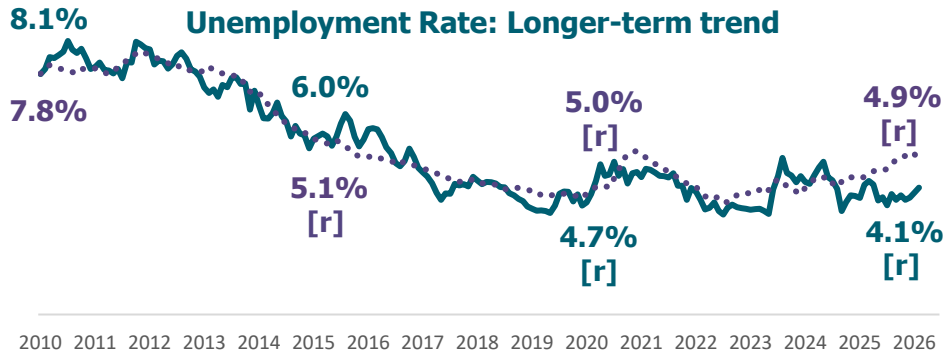
- The latest data suggests Scotland's unemployment rate was **4.1%** in the period covering December to February 2026. This is an increase of 0.4 pp compared with the last quarter.\*



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

➤ **16-24 youth unemployment in Scotland was estimated to be 12.6%**

- The latest data estimates that Scotland's youth unemployment rate was **12.6%** in the period covering December to February 2026.\*\* This is higher than the same period of the previous year (1.2 pp increase), but it is important to note the declassification of LFS data and the small sample sizes that youth unemployment is based on.\*\*



<sup>1</sup> ONS. Labour Force Survey (21<sup>st</sup> April 2026). <sup>2</sup> 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 Credit<sup>1</sup> and Claimant Count Rate<sup>2</sup>

699,900

people claiming Universal Credit in Scotland in March 2026

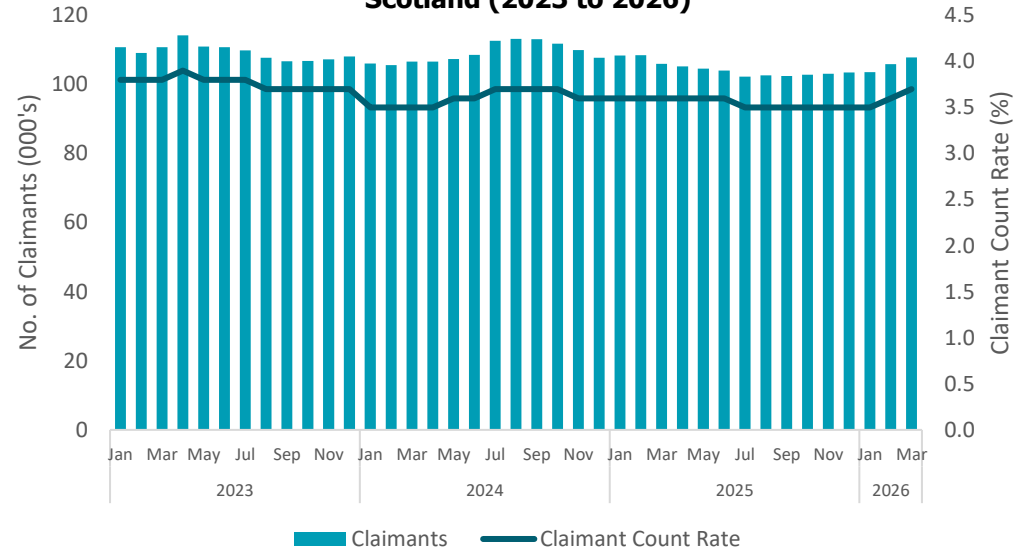
Between February and March 2026, 5,000 additional people in Scotland claimed Universal Credit, an increase of 0.7%. This continues a trend of increase from June 2022. The overall rise has been driven by an increase in claimants not in work.<sup>1</sup> Since January 2023, the proportion of claimants in work has ranged from 28% to 38%.

3.7%

Claimant Count rate in Scotland in March 2026 (107,800 claimants)

Between February and March 2026, the Claimant Count increased. The number of claimants increased by 2,000 and the Claimant Count rate increased to at 3.7%. 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<sup>3</sup> and Company Insolvencies<sup>4</sup>

7,000\*

Redundancies in the three months to February 2026 in Scotland

3.2\*

Redundancies per 1,000 people (4.6 in the UK)

The number of people who were made redundant in Scotland increased by 3,800 in the three months to February 2026 compared with the three months to February 2025.

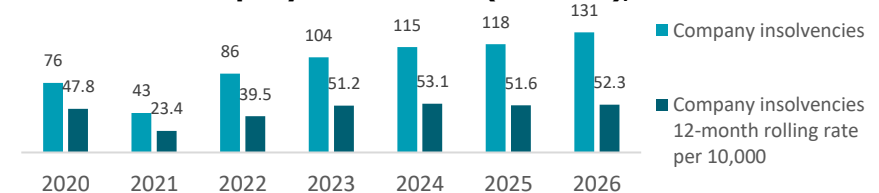
\*Please note estimates are based on a small sample and should be used with caution.

131

Company insolvencies in Scotland, March 2026

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. In March 2026 the number of insolvencies and 12-month rolling rate of insolvencies were not only higher than in March 2020, but also with respect to March 2025.

Company Insolvencies (Scotland), March



<sup>1</sup> Department for Work and Pensions (April 2026). 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.

<sup>2</sup> ONS. Claimant Count (April 2026). Experimental statistics. March data is provisional.

<sup>3</sup> ONS. Labour Force Survey (21<sup>st</sup> April 2026).

<sup>4</sup> The Insolvency Service. [Monthly Insolvency Statistics, March 2026](#) (April 2026).

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

**Provisional data for March suggests that online job postings in Scotland increased compared with February, rising to 50,800.** Postings increased by 25.9% or 10,400 postings compared with February 2026\* and increased by 9.8% or 4,500 postings compared with March 2025.

### The highest demand in March was for occupations such as:

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

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

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

#### Increase:

- Cleaners and Domestic (+400);
- Customer Service Occupations n.e.c. (+400); and
- Large Goods Vehicle Drivers. (+300)

#### Decrease:

- Mechanical Engineers (-50);
- Finance and Investment Analysts and Advisers (-50); and
- IT Business Analysts, Architects and Systems Designers (-50).

### The skills in highest demand in March were:

#### Common skills

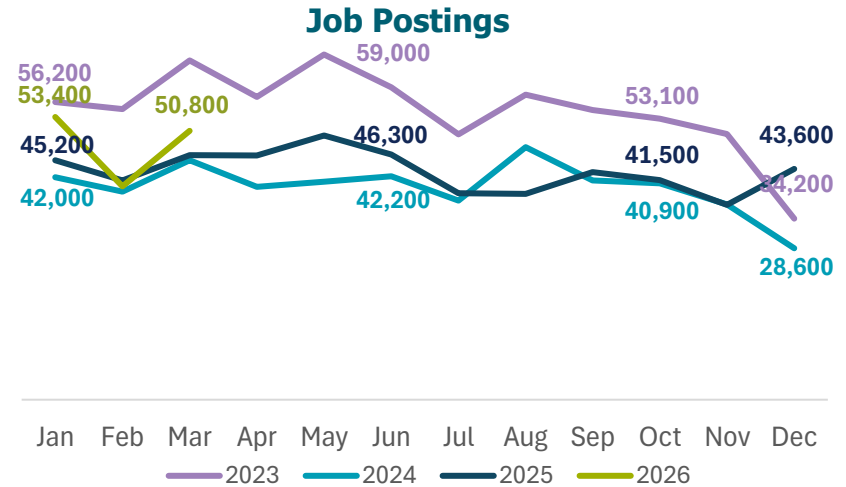
- Communication;
- Customer Service; and
- Management.

#### Specialised skills

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

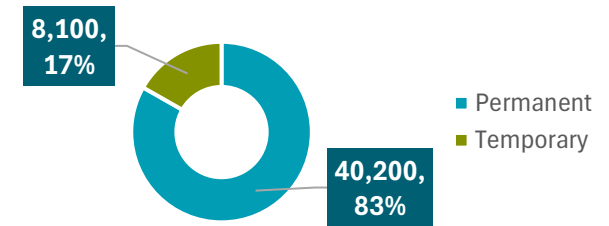
### Public and private sector postings in March:

- In March, the top 10 organisations with the most job postings were mostly private sector organisations.

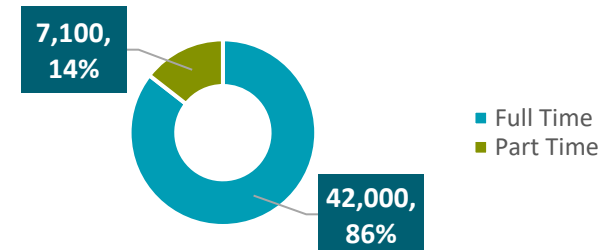


### Job Postings in Scotland, March 2026

#### Permanent and Temporary\*\*



#### Full Time and Part Time\*\*



<sup>1</sup> Lightcast (April 2026). Lightcast gathers insights from online job postings

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

\*This data release includes revisions to online job vacancies. This revision may lead to differences in vacancy levels and trends compared with previous editions of this report, and month-on-month change should be treated with caution.

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