Economy, People and Skills

October 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.

Scotland and the UK continue to face uncertainty driven by slow economic growth, persistent inflation, and a reduction in business confidence. The modest uplift in economic growth from trade activity in Q1 was short-lived, with Q2 figures for Scotland and the UK showing subdued growth. Inflation remains above target levels and labour market indicators across Scotland and the UK show a weaker position compared to last year.

UK and Scotland labour markets are softening

Although there have been signs of strain in the UK labour market, recent developments suggest that the rate of decline may be slowing. LFS employment decreased slightly to 75.1%, while unemployment continued to rise, reaching 4.8%, and economic inactivity remained around the same at 21.0%. PAYE employment figures remained flat in September compared to August but showed a year-on-year decline of 0.3% relative to September 2024. Job vacancies have continued their long-running downward trend, marking the 39th consecutive quarter of decline. Between July and September 2025, the number of available positions fell by 1.3% to 717,000.

Scotland's labour market continues to show signs of moderation, amid persistent challenges. Between June and August 2025, LFS employment stood at 74.3%, marking a 0.6 pp decline from the previous quarter. Unemployment increased to 3.9%, and economic inactivity rose to 22.7% over the same period. PAYE employment increased by 0.1% compared to the previous month and decreased by 0.4% compared to September 2024. Job postings in Scotland increased by 11% (4,300 postings) in September compared to August. Whilst this is a substantive increase, it follows three consecutive months of decrease, and the three-month rolling average indicates a fall of 2.5%.

Wage growth strong, inflation holds steady

Wage pressures remain elevated, with annual growth in regular pay reaching 4.7% in August 2025. Inflation in the UK remained at 3.8% in September 2025, the same as the previous month, as rising transport costs were balanced by declines in recreation, culture, and food and non-alcoholic drink prices. This figure was below the 4% expected by the Bank of England and economists surveyed by Reuters. As inflation continues to weigh on household and business finances, it amplifies the impact of slower GDP growth. The UK economy grew by 0.3% in Q2 2025, above analyst expectations but down from 0.7% in Q1, reinforcing the view that earlier momentum was short-lived. UK Growth was led by services, construction, manufacturing, and increased government spending. Scotland's GDP rose by 0.2% in Q2, following 0.4% growth in Q1, with construction and services again the main drivers.

Future outlook

Updated forecasts from the Fraser of Allander Institute (FAI), published in early October, suggest Scottish GDP growth in 2025 will remain subdued, though the forecast has been adjusted upward from the previous quarter (from 0.8% to 1.0%). The OECD's Interim report forecasts UK GDP growth of 1.4% in 2025, up from 1.3%, placing the UK second among G7 countries behind the US (1.8%) in terms of projected economic growth. However, UK inflation is projected to be the highest in the G7 at 3.5%, signalling the UK could face ongoing price pressures. Risks to these projections include food inflation and the potential worsening of geopolitical tensions in oil-producing regions.

The UK budget in November is expected to set the tone for UK economic policy and detail how key program announcements could be funded. Potential changes to taxation and spending are expected to influence economic growth and inflation.

UK and Scotland Economy - Gross Domestic Product (GDP)

UK GDP

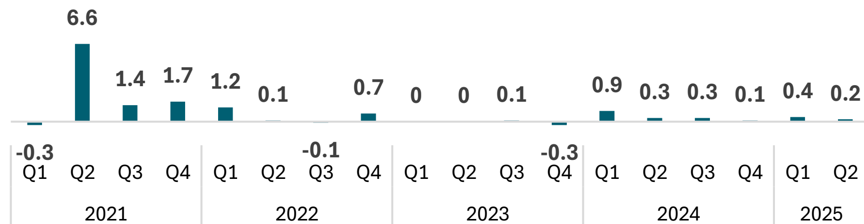
The UK economy grew 0.3% in Q2 2025. This was above the 0.1% expected by analysts, but a noticeable slowdown from 0.7% in Q1 2025.[1,2] Comparatively lower growth in Q2 supports the perception that the uplift seen in Q1 was temporary and not expected to continue. Growth in Q2 was mainly driven by the services, construction and manufacturing sectors, along with an increase in government spending. UK GDP DP grew by 0.3% in the three months to August 2025 compared with the three months to May 2025, a slight increase following growth of 0.2% in the three months to July 2025. [3]

Scotland GDP

Scotland's GDP grew by 0.2% during Q2 2025, following a growth of 0.4% in the previous quarter.[4] Growth was mainly driven by the Construction and the Services sectors. Monthly figures for 2025 show that the Scottish economy contracted by 0.3% in July. This follows growth of 0.7% in June (revised up from growth of 0.6%).[5] and a revised growth of 0.1% in May (revised up from -0.2%).

The latest estimate for annual growth indicates that the Scottish economy expanded by 1.2% in 2024, up from 0.5% in 2023. Whilst an improvement over 2023, the annual growth occurred almost exclusively in Q1, rather than being consistent throughout the year.[6]

Quarter on Quarter GDP Change (%) (Scotland)



Economic Outlook

Growth forecasts for the UK and Scotland have been revised in recent publications. The OECD now forecast the UK to have the highest inflation and second fastest GDP growth in the G7 this year. The Fraser of Allander Institute (FAI) also released its Q3 Economic Commentary with an upgraded forecast for Scottish GDP growth.

In September the OECD released its Economic Outlook Interim Report with forecasts on the global economy. The OECD expects UK inflation to reach 3.5% this year, an upward revision from the previous forecast published in June (3.1%). This is the highest 2025 inflation forecast among G7 countries. In 2026, the OECD forecasts UK inflation to fall to 2.7%, still above the Bank of England's target of 2%. The UK economy is expected to grow 1.4% this year, slightly higher than the 2024 figure (1.1%). This is a slight upward revision from the previous forecast (1.3%) and the second highest prediction for GDP growth in 2025 among G7 countries, just below the United States (1.8%). In 2026, UK growth is expected to slow down to 1.0%. The OECD acknowledges there are important risks around these projections, particularly regarding trade policy, food inflation, fiscal vulnerabilities and potential financial stability risks.

Earlier this month the FAI published its Q3 Economic Commentary with an upgraded projections for Scottish GDP growth in 2025 (revised from 0.8% to 1.0%), reflecting stronger-than-anticipated growth so far this year, especially in contrast to the weaker economic performance seen in early 2024. Their medium-term outlook remains unchanged, with modest growth anticipated for both 2026 (1.0%) and 2027 (1.1%).

[1] ONS. GDP Quarterly National Accounts, UK: April to June 2025 (August 2025).
[2] FT. UK economic growth slows in second quarter(August 2025).
[3] ONS. GDP Monthly estimate, UK: August 2025 (October 2025).
[4] Scottish Government. GDP First Quarterly Estimate 2025 Q2 (April to June)(August 2025).
[5] Scottish Government. GDP Monthly Estimate: July 2025 (September 2025)
[6] Scottish Government. GDP Quarterly National Accounts: 2024 Q4 (October to December) (April 2025)
[7] OECD Economic Outlook, Interim Report (September 2025)
[8] FAI Economic Commentary (October 2025)

Inflation and the Cost of Living

Fewer Scottish businesses report price increases; labour costs remain main source of price pressures.

The Business Insights and Conditions Survey (BICS)[1] found that **22% of Scottish businesses reported price increases for goods and services bought in August compared with July 2025,** a slight drop from the previous month (22.1%) and the lowest figure in 7 months. **7.6% of businesses reported that they had increased the prices of goods and services sold** in August, a fall from last month (7.9%) and the lowest figure since December 2024. Labour costs remain the most common source of price pressures with **33.8% of businesses considering raising prices due to labour costs**.

Findings from the Fraser of Allander's Q3 Scottish Business Monitor[2] also suggest **costs pressures have eased slightly but remain a significant issue**, with **employee costs being the most significant component** of cost pressures in Q3.

Consumer confidence improves slightly in Scotland, decreases in UK

In August 2025, **the composite Scottish Consumer Sentiment Indicator (SCSI) increased by 0.7 points to -8.1,** driven by improved expectations on the Scottish economy**. However, sentiment on current household spending declined** with respect to July (5 point decrease).[3]

At the UK level confidence slowed down. GfK's long-running Consumer Confidence Index decreased by two points to -19 in September, **with all components being down with respect to August.**[4]

Similarly, **S&P's Global Consumer Sentiment Index decreased** 0.4 points to 47.4 in October.[5] The decrease was mainly driven by labour market sentiment (1 point decrease) and household finances (0.5 point decrease).

Inflation unexpectedly remains at 3.8% in September

Inflation in the UK remained at 3.8% in September 2025, the same as the previous month.[6] This was below the 4% expected by the Bank of England and economists surveyed by Reuters.[7]

The biggest upward impact on the monthly change came from transport, whereas recreation and culture, and food and non-alcoholic drinks had the strongest offsetting downward effects.

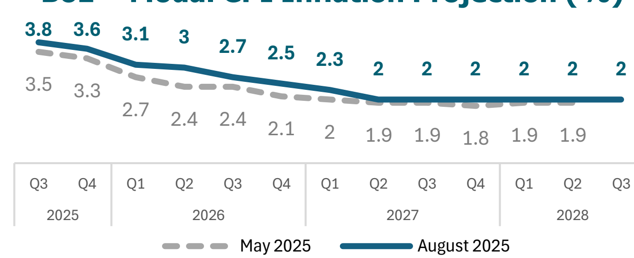
Core inflation was 3.5% in the 12 months to September 2025 (down from 3.6% in August), and **services inflation remained unchanged at 4.7%.** These are key measures for the Bank of England.

Inflation forecast

The UK inflation forecasts were released by the Bank of England (BoE) in early August.[8] The August CPI projection is slightly higher than the one published in May for the rest of 2025, 2026 and early 2027, but broadly similar for late 2027 and 2028. On a quarterly basis, inflation is expected to peak in Q3 2025 at 3.8%, before returning to the 2% target in Q2 2027. The monthly peak was predicted at 4% in September 2025, before falling back to 3.6% by the end of the year.

The higher inflation forecasts mostly reflect expected rises in food price inflation, which is projected to remain elevated for the rest of the year. The higher forecast for food price inflation is driven by higher global commodity prices and higher labour costs associated with increases in National Insurance Contributions and the National Living Wage, which have had a strong impact on the Food Manufacturing and Retail sectors. There are also concerns around potential changes to the public's inflation expectations that could reinforce inflationary pressures through higher wages and prices.

BoE – Modal CPI Inflation Projection (%)



[1] Scottish Government. BICS weighted Scotland estimates: data to wave 140 (September 2025).
[2] FAI Scottish Business Monitor Q3 2025 (October 2025).
[3] Scottish Government Scottish Consumer Sentiment Indicator: Monthly Data August (September 2025)
[4] GfK UK Consumer confidence down two points in September to -19 (September 2025)
[5] S&P Global UK Consumer Sentiment Index (October 2025)
[6] ONS. CPI, UK: September 2025 (October 2025).
[7] FT. UK inflation unexpectedly holds steady at 3.8% in September (October 2025)
[8] BoE. Monetary Policy Report (August 2025).

Economy, People and Skills

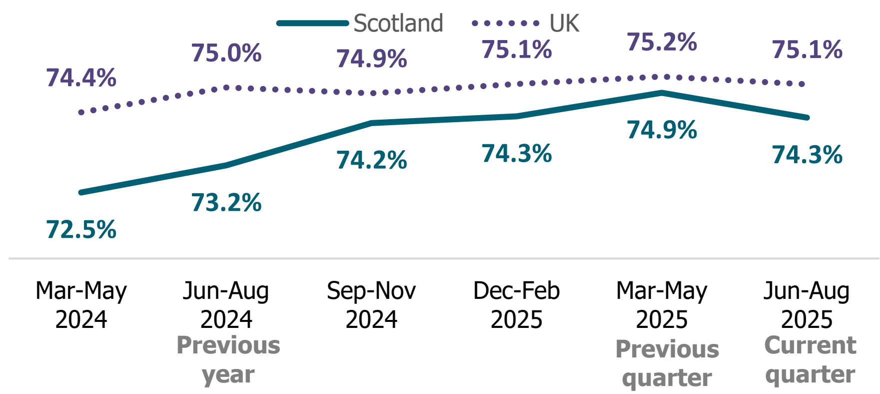
The ONS published revised LFS estimates from 2011 for the UK (except for youth unemployment, which is from 2019) and from 2019 for Scotland in December 2024. The revised data incorporates new population estimates, including the Scottish 2022 Census, helping to make LFS estimates more representative.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

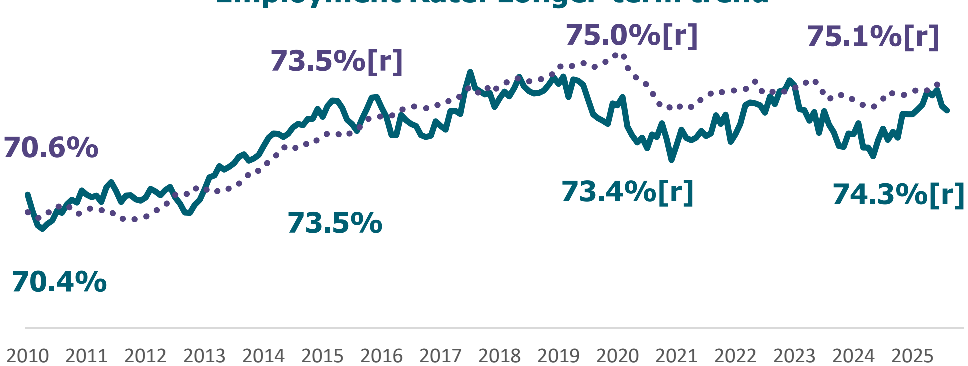
Scotland's employment rate was estimated to be 74.3%

- The latest data suggests Scotland's employment rate was **74.3%** in the period covering June to August 2025. The rate is estimated to have decreased by 0.6 pp compared with the previous quarter.*

Employment Rate



Employment Rate: Longer-term trend

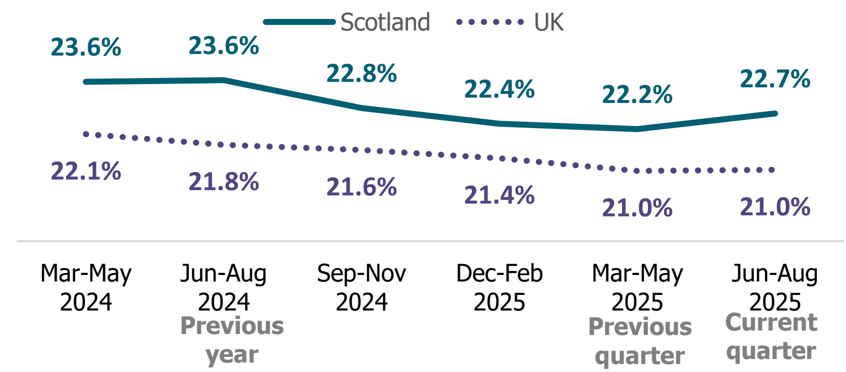


Economic Inactivity (16-64)[1]

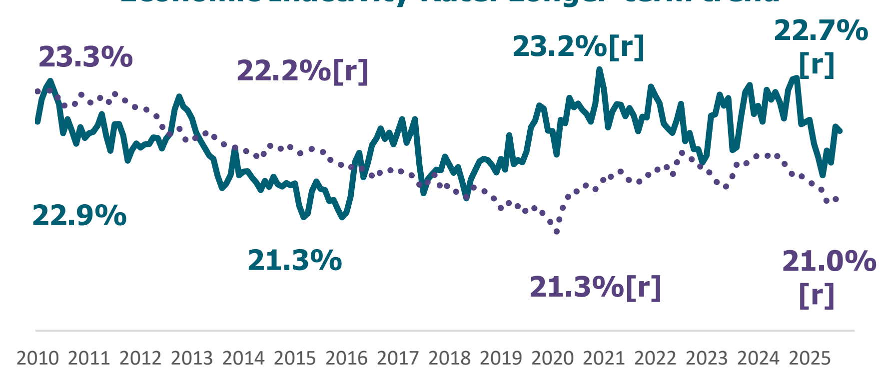
The 16-64 Scottish economic inactivity rate was estimated to be 22.7%

- The latest data suggests that Scotland's economic inactivity rate was **22.7%** in June to August 2025. The economic inactivity rate was 0.4 pp higher than last quarter.*

Economic Inactivity Rate



Economic Inactivity Rate: Longer-term trend



[1] ONS. Labour Force Survey (14th October 2025).
*Figures may not sum due to rounding.

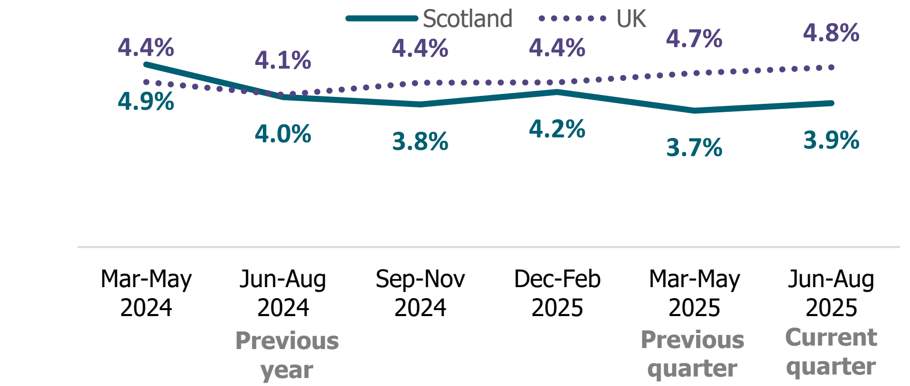
The ONS published revised LFS estimates from 2011 for the UK (except for youth unemployment, which is from 2019) and from 2019 for Scotland in December 2024. The revised data incorporates new population estimates, including the Scottish 2022 Census, helping to make LFS estimates more representative. 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 3.9%

- The latest data suggests Scotland's unemployment rate was **3.9%** in the period covering June to August 2025. This is an increase compared with the last quarter (0.2 pp increase).*

Unemployment Rate

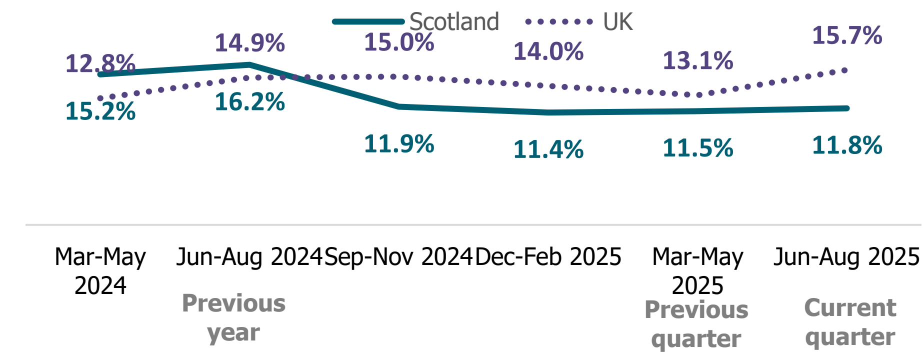


Youth Unemployment (16-24)[1,2]

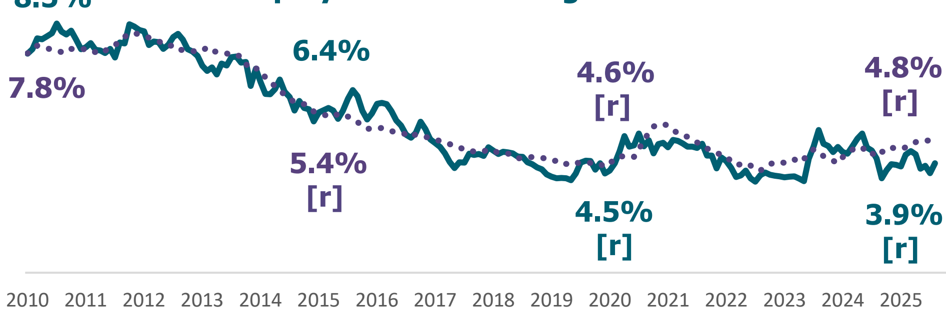
16-24 youth unemployment in Scotland was estimated to be 11.8%

- The latest data estimates that Scotland's youth unemployment rate was **11.8%** in the period covering June to August 2025.* This is lower than the same period of the previous year (4.4 pp decrease), but it is important to note the declassification of LFS data and the small sample sizes that youth unemployment is based on.**

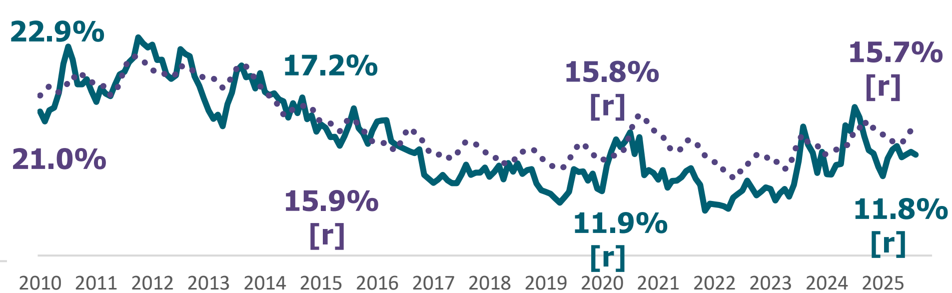
Youth Unemployment Rate



Unemployment Rate: Longer-term trend



Youth Unemployment Rate: Longer-term trend



[1] ONS. Labour Force Survey (14th October 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 Credit[1] and Claimant Count Rate[2]

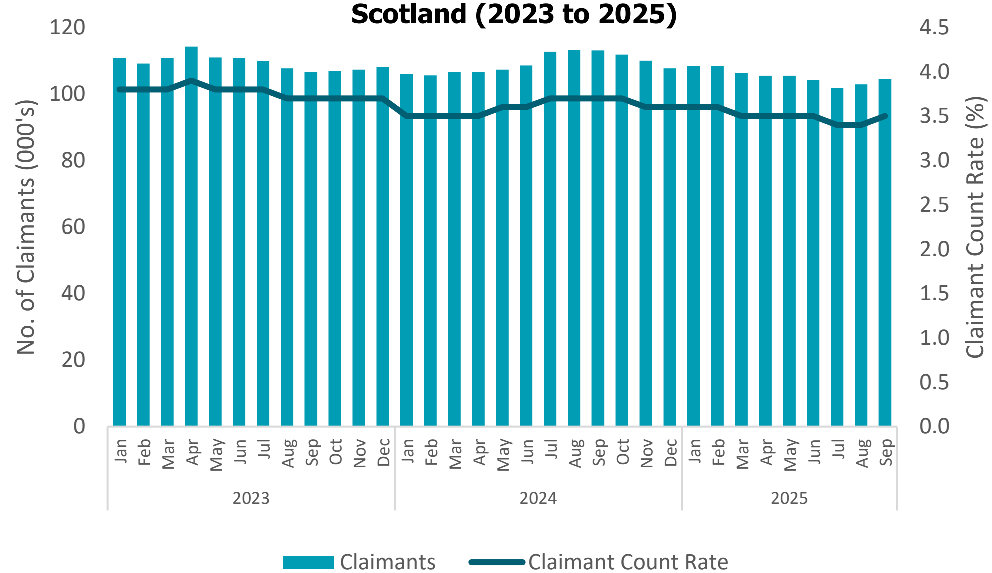
678,300 **people claiming Universal Credit in Scotland in September 2025**

Between August and September 2025, 12,600 additional people in Scotland claimed Universal Credit, an increase of 1.9%. 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 September 2025 (104,500 claimants)**

Between August and September 2025, the Claimant Count increased. The number of claimants increased by 1,700, 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)



Redundancies[3] and Company Insolvencies[4]

3,000* **Redundancies in the three months to August 2025 in Scotland**

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

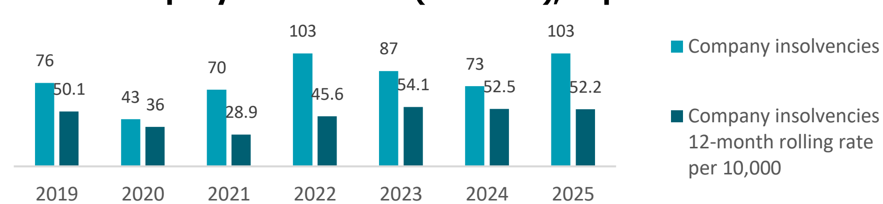
The number of people who were made redundant in Scotland decreased slightly in the three months to August 2025 (decreased by 100* people, or 4.2%*) compared with the three months to August 2024.

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

103 **Company insolvencies in Scotland, September 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 September 2025 the number of insolvencies and 12-month rolling rate of insolvencies was higher than in September 2019.

Company Insolvencies (Scotland), September



[1] Department for Work and Pensions (October 2025). The breakdown of Universal Credit claimants by employment status is not available for September. September data is provisional. Figures for 'not in work' could include both those unemployed or economically inactive.
[2] ONS. Claimant Count (October 2025). *Experimental statistics.* September data is provisional.
[3] ONS. Labour Force Survey (14th October 2025).
[4] The Insolvency Service. Monthly Insolvency Statistics, September 2025 (October 2025).

Job Postings in Scotland[1,2]

Provisional data for September suggests that online job postings in Scotland increased compared with August, rising to 43,200. Postings increased by 11.0% or 4,300 compared with August and increased by 4.3% or 1,800 compared with September 2024. While, three-month-rolling average decreased by 2.5% for July to September compared with June to August.

The highest demand in September was for occupations such as:

- Sales Related Occupations;
- Cleaners and Domestics;
- Care Workers and Home Carers;
- Kitchen and Catering Assistants; and
- Programmers and Software Development Professionals.

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

The following occupations had the largest change in job postings in September compared with August:

Increase:

- Programmers and Software Development Professionals (+300);
- Sales Related Occupations (+300); and
- Sales and Retail Assistants (+200).

Decrease:

- Chefs (-100);
- Transport and Distribution Clerks and Assistants (-100); and
- Bar Staff (-50).

The skills in highest demand in September were:

Common skills

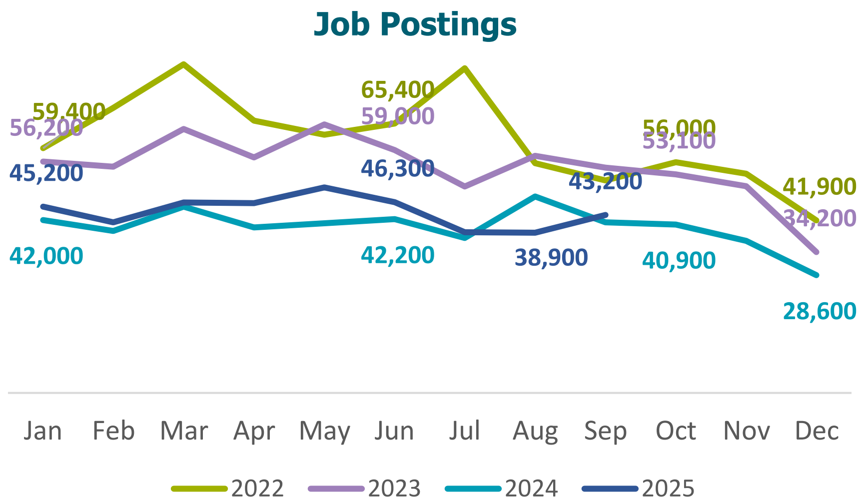
- Communication;
- Customer Service; and
- Management.

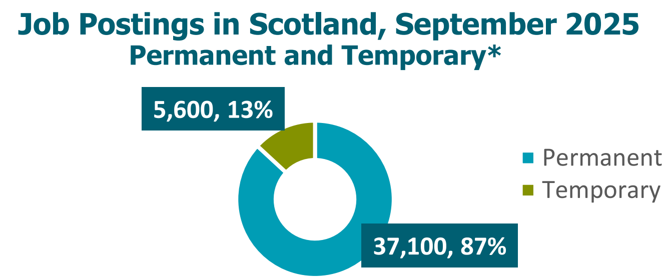
Specialised skills

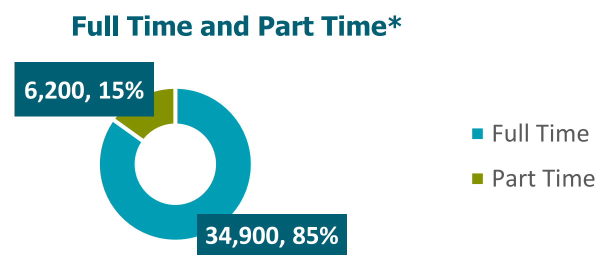
- Continuous Improvement Process;
- Auditing; and
- Project Management.

Public and private sector postings in September:

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







[1] Lightcast (October 2025). Lightcast gathers insights from online job postings.
[2] Numbers rounded to the nearest 100.

*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.

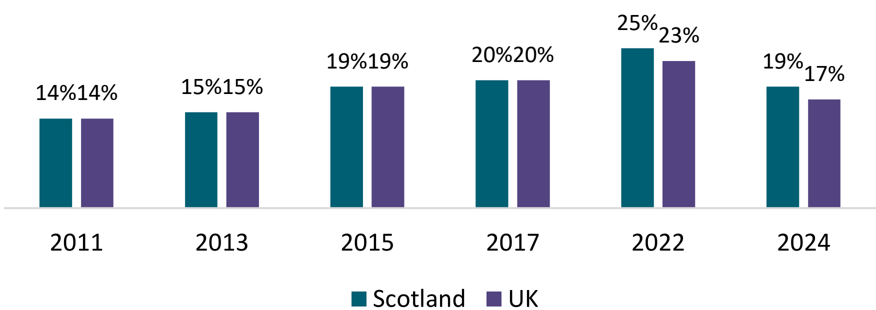
Spotlight: Employer Skills Survey 2024[1]

The Employer Skills Survey (ESS) is a long-established source of intelligence on the skills landscape across the UK. Conducted biennially, it captures employer views on recruitment, skills gaps, and training activity. The 2024 results offer an insight into how Scotland's labour market is evolving, particularly in the wake of recent economic shifts. This spotlight covers the key messages for Scotland.

There has been a notable decrease in vacancies

From 2022 to 2024, the number of vacancies reported by Scottish establishments declined by 37% to 74,700 vacancies. This mirrors the UK-wide trend and suggests a cooling in recruitment activity. One in five (19%) of Scottish establishments responding to the survey had at least one vacancy, a decline from one in four (25%) in 2022. This brings Scotland back in line with levels last seen in 2017.

Figure 1: Percentage of establishments with at least one vacancy



As well as a decline in overall vacancies, the prevalence of hard to fill vacancies also declined. The percentage of Scottish establishments reporting a vacancy that was hard to fill decreased from 16% in 2022 to 10% in 2024. This trend was similar across the UK, with hard to fill vacancies declining from 15% in 2022 to 8% in 2024. Despite a decline in the Scottish establishments reporting hard-to-fill vacancies, 44% of vacancies still remain hard to fill in 2024. Employers in the Primary Sector and Utilities (53%), Transport and Storage (51%) and Wholesale and Retail (51%) sectors had the highest proportion hard-to-fill vacancies as a proportion of all vacancies, while it was lowest in the Public Administration (26%) and Education (35%) sectors.

Skill-shortage vacancies declined across Scotland and the UK, but remained high

The results for 2024 show that 7% of establishments in Scotland had a skill-shortage vacancy, and 6% across the UK. This fell from 10% in 2022 for both Scotland and the UK. Despite a decline in the Scottish establishments reporting skill-shortage vacancies, 27% of all vacancies in Scotland were still considered skill-shortage vacancies in 2024. The proportion of skills-shortage vacancies declined from 31% in 2022 but remained higher than in 2017 across Scotland. Skill-shortage vacancies were more prevalent in industries like Manufacturing and Education and least common in the Public Administration sector.

Nearly all employers (97%) with hard-to-fill vacancies due to skill shortages reported organisational impacts. The most common effects were increased workloads for other staff (86%), meeting customer service objectives (53%) and experiencing increased operating costs (47%).

Definitions

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

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

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

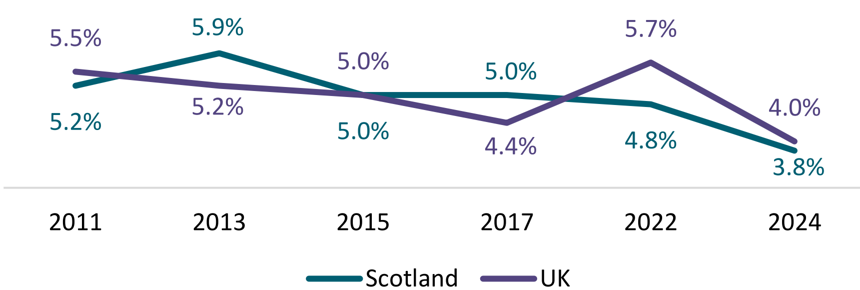
[1] Scottish Government (October 2025), Employer Skills Survey 2024 - Scotland

Spotlight: Employer Skills Survey 2024[1]

There has been some improvement in skills gaps

Around 14% of employers in Scotland reported a skills gap in 2024, a slight decrease from 15% in 2022. Scotland's skills gap density (the proportion of employees judged not fully proficient) has been on a downward trajectory since 2017, and the proportion of employees with a skills gap fell to 3.8% (from 4.8% in 2022). It was the lowest level since the survey began in 2011. Across the UK, the skills gap density also decreased from 5.7% in 2022 to 4.0% in 2024.

Figure 2: Skill gap density (the proportion of employees judged not fully proficient)



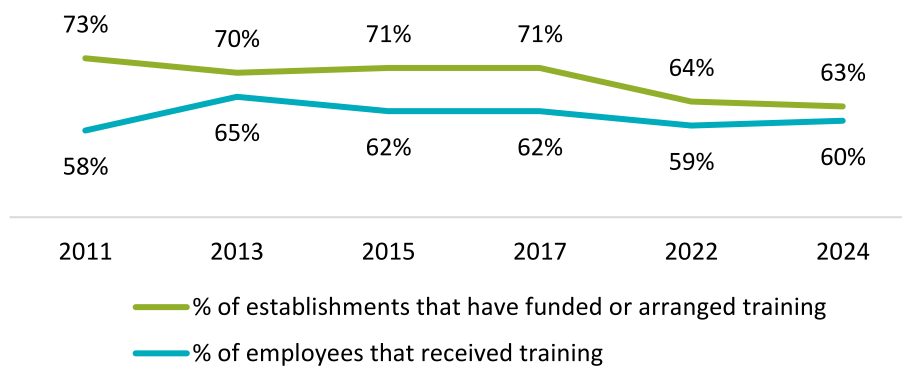
Training and investment show a mixed picture

In 2024, total investment in training across Scotland was estimated at £4.4 billion, a slight decrease from 2022 when adjusted for inflation, and the lowest level recorded since the survey began. However, for the first time since the survey began, investment per employee (£1,770) and per trainee (£2,940) in Scotland exceeded the UK average (£1,700 per employee and £2,710 per trainee).

Across the Scottish workforce, 60% of employees had received training in the previous 12 months, equating to 1.5 million workers. The proportion of staff trained was similar to 2022 (59%) but lower than in 2017.

The 2024 results show a slight dip in the proportion of Scottish establishments offering training - down from 64% in 2022 to 63%. While this is a modest change, it's worth noting that Scotland continues to outperform the UK average in this area.

Figure 3: Percentage of establishments offering and employees received training in the past 12 months (Scotland)



The transition towards online training and e-learning has continued to progress; participation rates have increased both in Scotland and throughout the UK, while fewer organisations now rely solely on on-the-job training. In the past 12 months, nearly 69% of Scottish establishments provided e-learning or online training for their employees, an increase from 66% in 2022, 51% in 2017, and approximately 44% in 2015. Similar growth patterns have been observed across the UK since 2013.

Businesses offering apprenticeships remains stable

The 2024 survey also sheds light on how employers are engaging with structured workforce development. Around 16% of Scottish establishments offered apprenticeships and 10% currently had apprentices, a figure that has remained relatively stable over recent years.

[1] Scottish Government (October 2025), Employer Skills Survey 2024 - Scotland

Economy, People and Skills

LMI resources

Regional Skills Assessments and Sectoral Skills Assessments provide a consistent evidence base to inform future investment in skills.

New updates will be 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:

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