

The logo for Skills Development Scotland, featuring the text "Skills Development Scotland" in a bold, sans-serif font. The text is white and is set against a dark blue background that has a white, scalloped border on its left side.

Skills
Development
Scotland

Economy, People and Skills

May 2024



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This **Economy, People and Skills** report provides evidence on the economy and labour market focusing on Scotland's people, businesses, sectors, and regions.



New UK GDP data shows growth in the first quarter of 2024, ending the recession from late 2023. Inflation has also fallen close to the 2% target for the first time in nearly three years. While positive, the overall economic picture is mixed, and future economic growth is expected to remain slow.

Labour Force Survey (LFS) indicators suggest continued cooling of the labour market

The latest available data for Scotland estimates that between January and March 2024, unemployment and employment decreased (-0.1 pp and -1.2 pp) while economic inactivity increased (+1.4 pp). LFS data indicates a similar cooling trend for the UK.

Online job postings in Scotland continue to decline

Following a seasonal increase in March, online job postings across Scotland fell in April by 11%. Compared to the same point last year, the number of postings has also declined substantially, falling by nearly one third (-29%).

Inflation falls close to target

The latest data indicates that inflation fell to 2.3% in April 2024, down from 3.2% in March. While this is the lowest level in nearly three years, and close to the 2% target, it is higher than some economists had expected.

UK wage growth has also remained high. Regular pay increased by 6.0% between January-March 2024, the same rate as the previous quarter. While wage growth is expected to slow, factors such as the recently introduced rise in the National Living Wage could contribute to continuing high growth.

Early signs of recovery in 2024 as the UK exits recession and Scottish business activity grows

The first estimate for UK GDP in Q1 2024 indicates that the economy returned to growth following a recession at the end of 2023, with output increasing by 0.6%. Scotland's estimate for Q1 2024 will be released at the end of May.

Scotland's Purchasing Managers Index (PMI) provides a timely snapshot of business activity and is a useful indication of the direction of travel for economic output. In April, this suggested growth in activity for the fourth month in a row. However, the latest Scottish Business Monitor has underlined the continued challenges facing businesses.

Latest Bank of England forecasts slightly more optimistic but growth outlook remains subdued

New forecasts released by the Bank of England (BoE) in early May predict that the UK will return to growth in 2024 following a broadly flat 2023. The forecasts estimate that GDP will grow by 0.5% in 2024 and 1.0% in 2025. These estimates remain subdued but have increased slightly from the BOE's February forecast, reflecting expectations of higher population growth and the impact of government policy (such as the National Insurance cut announced at the Spring budget).

The BoE also expects inflation to fall close to the 2% target in Q2 2024, but then increase again due to the lessening impact from energy price reductions. Inflation is expected to fall below the 2% target from Q2 2026. The outlook for unemployment is similar to the February forecast, with the Bank expecting this to increase from 2024, and peak at 4.9% in Q3 2026.

UK and Scotland Economy - Gross Domestic Product (GDP)

UK GDP

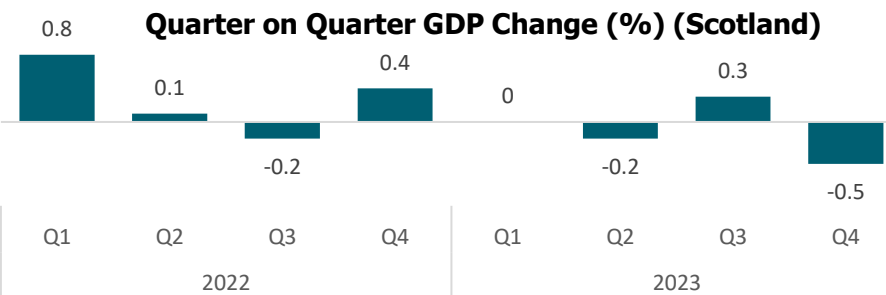
The latest estimates for UK GDP show that the UK exited recession at the beginning of the year with +0.6% growth in Q1 2024. The UK fell into a short recession at the end of 2023 due to contraction of -0.1% in Q3 and -0.3% in Q4.¹ Recession is defined as two consecutive quarters of contraction in GDP. Annual GDP figures for the UK, which cover the whole of 2023, estimate the UK economy was broadly flat (+0.1% growth). Excluding 2020 due to the impact of the pandemic, this is the lowest annual growth recorded since the 2009 financial crisis.²

The latest monthly UK data shows +0.4% growth in March, following growth of +0.2% in February and +0.3% in January.³

Scotland GDP

Data for Q1 2024 is not yet available for Scotland. Revised figures released at the start of May confirmed that Scotland did not enter

recession at the end of 2023. GDP fell by -0.5% in Q4 2023 but grew in Q3 2023 (+0.3%).⁴ Therefore two consecutive quarters of contraction did not occur. As with the UK, GDP was broadly flat in 2023 with recently revised figures indicating growth of just +0.1%.⁴ The latest monthly data for Scotland is for February 2024, which estimates that Scotland's economy contracted by -0.3%. This followed +0.6% growth in January and +0.4% growth in December.⁵



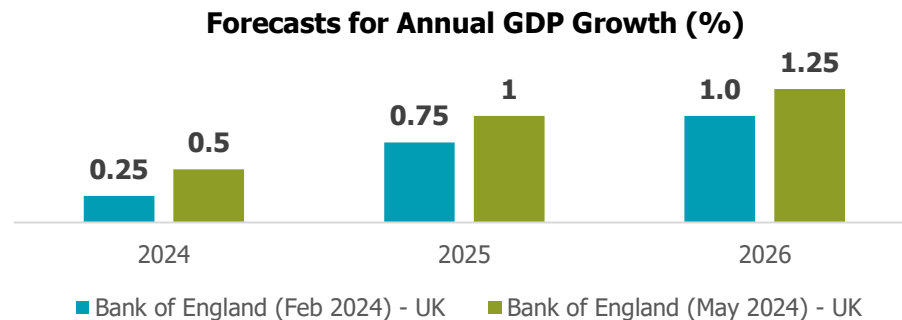
Economic Outlook⁶

The Bank of England (BoE) Monetary Policy Committee voted to hold the base interest rate at 5.25% for the sixth time in a row at its meeting in May. Alongside the rate decision the BoE also released new economic forecasts.

The latest forecasts predict a return to growth for the UK economy. The BoE estimates that GDP will grow by 0.5% in 2024, increasing to 1% in 2025 and 1.25% in 2026. This is a slight improvement from the Bank's February forecast, although growth is still expected to remain historically low and the outlook subdued.

The improvement in the growth outlook is based on expectations that the recovery of real income will support greater household consumption. The Bank also expects higher population growth and the National Insurance cut announced at the March UK budget to support greater growth in the economy.

Similar to February, the BoE expects inflation to fall close to the 2% target in Q2 2024, but then increase. Further details on the inflation forecast are available on the following page. The outlook for unemployment is similar to the February forecast, with the BoE expecting unemployment to increase from 2024, and peak at 4.9% in Q3 2026.



¹ ONS. [GDP first quarterly estimate, UK: January to March 2024](#) (May 2024).

² ONS. [GDP quarterly national accounts, UK: October to December 2023](#) (March 2024).

³ ONS. [GDP monthly estimate, UK: March 2024](#) (May 2024).

⁴ Scottish Government. [GDP Quarterly National Accounts: 2023 Q4](#) (May 2024).

⁵ Scottish Government. [GDP Monthly Estimate: February 2024](#) (May 2024).

⁶ Bank of England. [Monetary Policy Report – May 2024](#) (May 2024).

Inflation and the Cost of Living



Businesses still face challenges but are more positive about future

The latest Scottish business monitor from Fraser of Allander has reported a **negative net balance** (meaning that more firms reported a decline in activity than increase) **across all six of its key measures, including volume and value of business activity.**¹

The **only indicator that improved** from Q4 2023 (although it still remained in negative territory) was **capital investment.**

However, more positively, **firms have become more optimistic about prospects for business activity** over the next six months.



Consumer sentiment weakens but remains more positive than 2023

Scottish consumer sentiment fell in Q1 2024 for the first time since Q4 2022. The indicator fell to -6.2, down from -5.1 in Q4 2023.

Despite this, **consumer sentiment remains considerably higher** than the low of -28.1 in Q4 2022, and at the same point in 2023 (-17.1).²

The fall on the previous quarter was **mainly due to worsening expectations for the next 12 months**, including both personal finances and the wider Scottish economy. Conversely, current economic performance was the only indicator that improved over the quarter.



Inflation falls close to 2% target

Inflation (CPI) fell to **2.3% in the 12 months to April 2024, down from 3.2% in March.**³

Inflation has fallen close to the 2% target and is at its lowest level in nearly three years. The decrease was **driven by falling energy prices.**

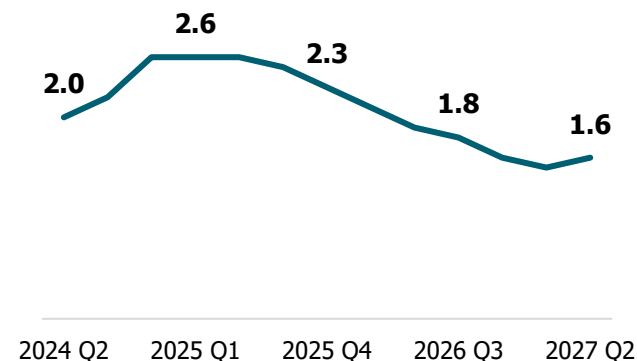
Despite the sharp fall, **inflation is higher than some economists had expected**, with core (3.9%) and services (5.9%) inflation remaining high. Owner occupiers' housing costs have also continued to rise.

Inflation forecast

The most recent UK inflation forecasts are from the BoE.⁴ Released in May 2024, these predict that the CPI rate (inflation) will fall close to the 2% target in Q2 2024, but then increase in the latter half of 2024, peaking at 2.6%. This increase is due to a lessening impact from energy price reductions. Following the increase, inflation is predicted to start to fall again from Q3 2025, and to below the 2% target from Q2 2026.

The latest estimates are similar to the BoE's outlook in their February forecast, although inflation is now predicted to rise less substantially in the latter half of 2024, and return back to the 2% target two quarters earlier than was expected in February.

BoE – Modal CPI Inflation Projection (%)



¹ Fraser of Allander. [Scottish Business Monitor: 2024 Q1](#) (April 2024).

² Scottish Government. [Scottish Consumer Sentiment Indicator: 2024 Q1](#) (May 2024).

³ ONS. [CPI, UK: April 2024](#) (May 2024).

⁴ Bank of England. [Monetary Policy Report – May 2024](#) (May 2024).

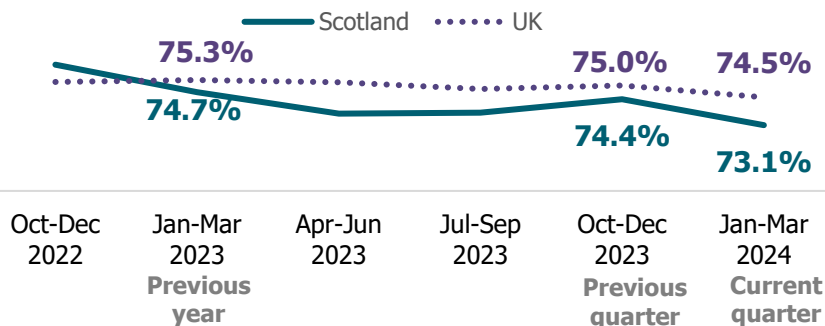
The LFS returned in February, and the ONS have published new, reweighted estimates from 2011 for the UK and from 2022 for Scotland. This reweighting incorporates UK population changes, helping to make LFS estimates more representative. Reweighted and non-reweighted data is not comparable and therefore non-reweighted figures have been used below for the longer-term trend - as reweighted figures are only available from 2022 for Scotland. The ONS continue to advise that LFS data should be used with caution and in conjunction with other sources.

Employment Rate (16-64)¹

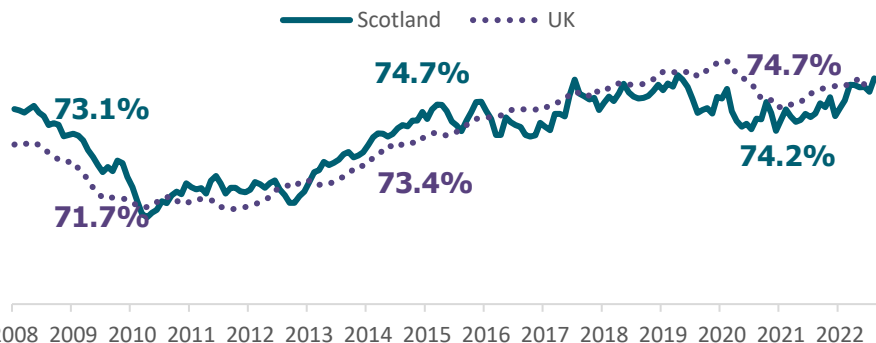
➤ **Scotland's employment rate was estimated to be 73.1%**

- The latest data suggests Scotland's employment rate was **73.1%** in the period covering January to March 2024. Employment is estimated to have decreased by -1.2 pp compared with the previous quarter.*

Employment Rate: 2022 onwards (re-weighted figures)



Employment Rate: Longer-term trend – 2008-2022 (non re-weighted figures)

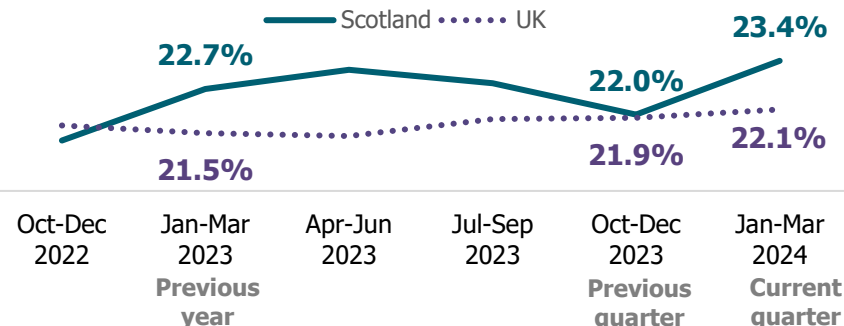


Economic Inactivity (16-64)¹

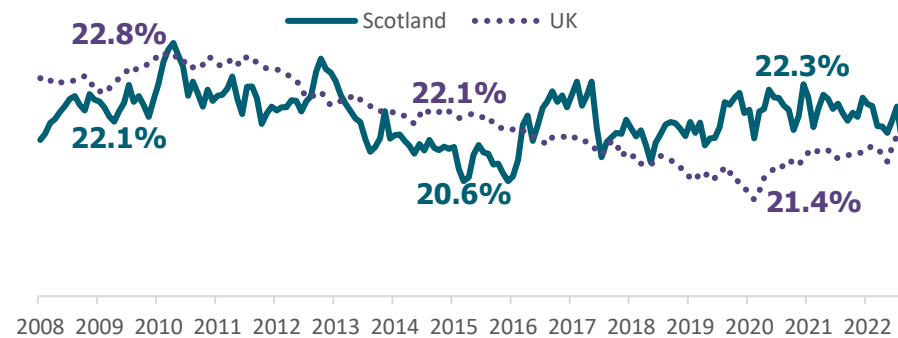
➤ **The 16-64 Scottish economic inactivity rate was estimated to be 23.4%**

- The latest data suggests that Scotland's economic inactivity rate was **23.4%** in January to March 2024. The economic inactivity rate was +1.4 pp higher than last quarter.*

Economic Inactivity Rate: 2022 onwards (re-weighted figures)



Economic Inactivity Rate: Longer-term trend – 2008-2022 (non re-weighted figures)



¹ ONS, Labour Force Survey (14th May 2024).

*Figures may not sum due to rounding. Please also see the opening statement about the most up-to-date LFS data.

Economy, People and Skills

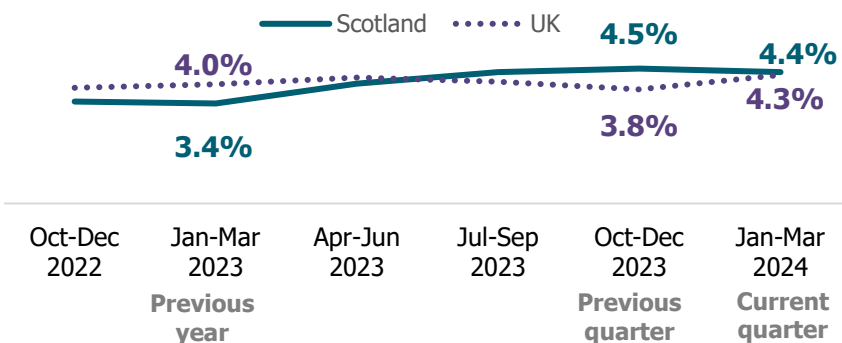
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Unemployment (16+)¹

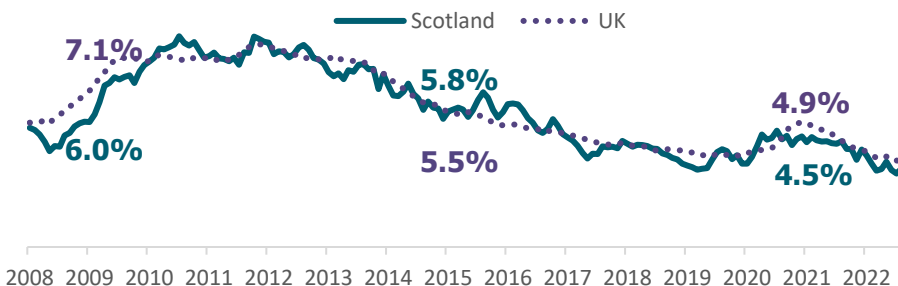
➤ **Unemployment in Scotland was estimated to be 4.4%**

- The latest data suggests Scotland's unemployment rate was **4.4%** in the period covering January to March 2024. This is estimated to be slightly lower than the last quarter (-0.1 pp decrease).*

Unemployment Rate: 2022 onwards (re-weighted figures)



Unemployment Rate: Longer-term trend – 2008-2022 (non re-weighted figures)

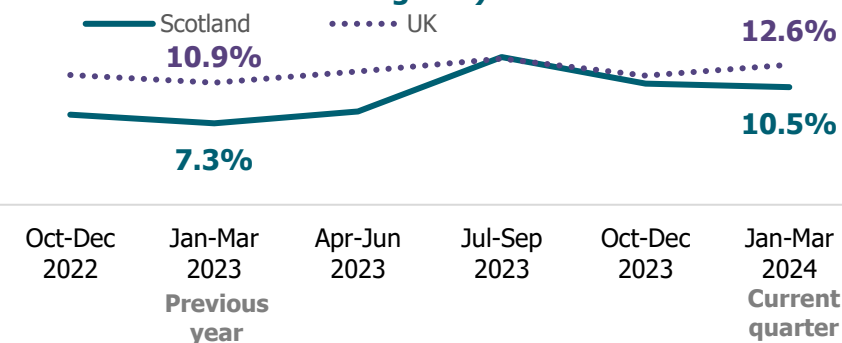


Youth Unemployment (16-24)^{1,2}

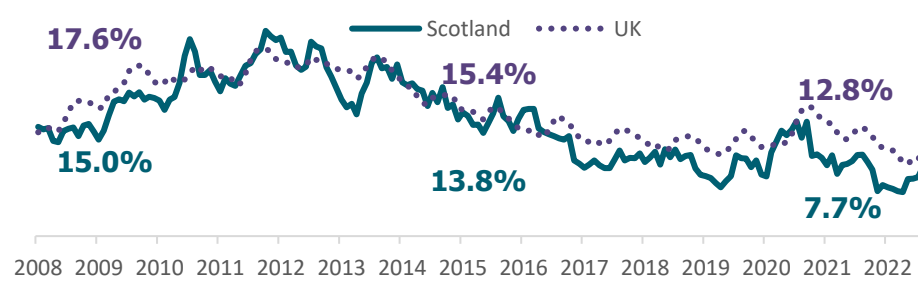
➤ **16-24 youth unemployment in Scotland was estimated to be 10.5%**

- The latest data estimates Scotland's youth unemployment rate was **10.5%** in the period covering January to March 2024. This is higher than the same period of the previous year (+3.2 pp increase).**

Youth Unemployment Rate: 2022 onwards (re-weighted figures)



Youth Unemployment Rate: Longer-term trend – 2008-2022 (non re-weighted figures)



¹ ONS. Labour Force Survey (14th May 2024). ² Please note: Youth Unemployment should only be compared to the previous year.

*Figures may not sum due to rounding. Please also see the opening statement about the most up-to-date LFS data. **Estimates are based on a small sample size. This may result in less precise estimates with a higher degree of volatility, and should be used with caution.

Universal Credit¹ and Claimant Count Rate²

544,900

people claiming Universal Credit in Scotland in April 2024

Between March and April 2024, 10,800 additional people in Scotland claimed Universal Credit, an increase of 2.0%. This continues a trend of increase from June 2022. The overall increase has been driven by an increase in claimants not in work. Since January 2022 the proportion of claimants in work has ranged from 35% to 38%.

3.6%

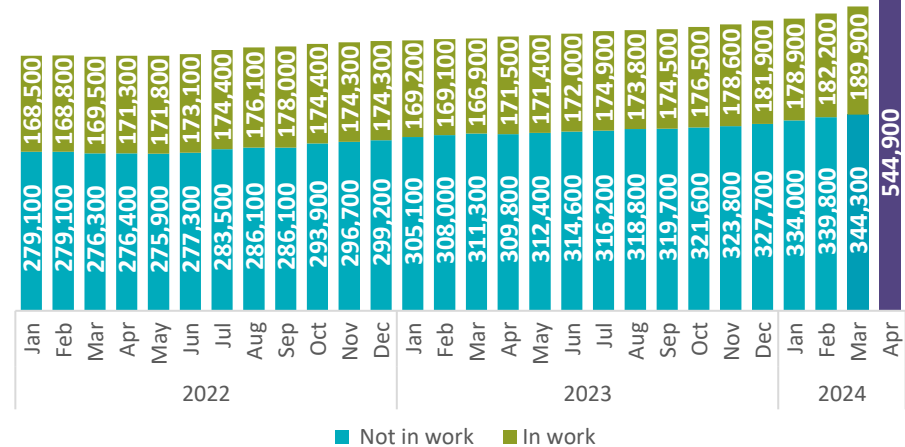
Claimant Count rate in Scotland in April 2024

Between March and April 2024, the Claimant Count rate in Scotland remained the same, at 3.6%. Since January 2022 the Claimant Count rate has fallen from 4.7%, but it has remained at a similar level since May 2022, ranging from 3.6% to 3.9%.

Universal Credit claimants in Scotland by employment status

64% 36%

Most recent proportional split of those in work and not in work¹



Redundancies³ and Company Insolvencies⁴

13,000*

Redundancies in the three months to March 2024 in Scotland

5.5*

Redundancies per 1,000 people (3.1 in the UK)

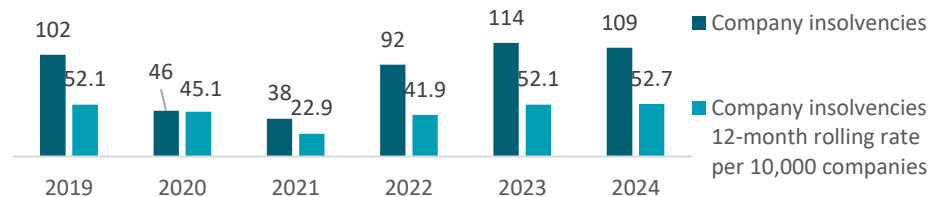
The number of people who were made redundant in Scotland increased in the three months to March 2024 (+5,000 or +64.1%) compared to the three months to March 2023. This is the highest level since November 2020 to January 2021. However, please note estimates are based on a small sample and should be used with caution.

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Company insolvencies in Scotland, April 2024

Following a reduction between 2020-2022, for the last two years company insolvencies have increased and are slightly higher than pre-pandemic levels. This can be seen in monthly data showing that the number of insolvencies in April 2024 was greater than April 2019, as is the rolling 12-month rate per 10,000 companies.

Company Insolvencies (Scotland), April



¹ Department for Work and Pensions (May 2024). The breakdown of Universal credit claimants by employment status is not available for April. April data is provisional.

² ONS. Claimant Count (May 2024). *Experimental statistics*. April data is provisional.

³ ONS. Labour Force Survey (14th May 2024).

⁴ The Insolvency Service. [Monthly Insolvency Statistics, April 2024](#) (May 2024).

Job Postings in Scotland^{1,2}

At 40,300, online job postings fell in April compared to the previous month and year, continuing a cooling trend.

Following a seasonal increase in month-on-month postings in March, online job postings declined by -4,900 or -11% in April compared to last month. There was also a substantial decrease of nearly one third (-29%) or -16,800 compared with April last year. The three-month-rolling average decreased slightly (-1%) for February to April compared with January to March.

The highest demand in April was for occupations such as:

- Sales Related Occupations;
- Care Workers and Home Carers;
- Cleaners and Domestic;
- Programmers and Software Development Professionals; and
- Managers and Directors in Retail and Wholesale.

The occupations in highest demand remain similar to last month.

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

- Sales Related Occupations (-400);
- Managers and Directors in Retail and Wholesale (-300); and
- Book-keepers, Payroll Managers and Wages Clerks (-200).

The skills in highest demand in April were:

Common skills

- Communication;
- Management; and
- Customer Service.

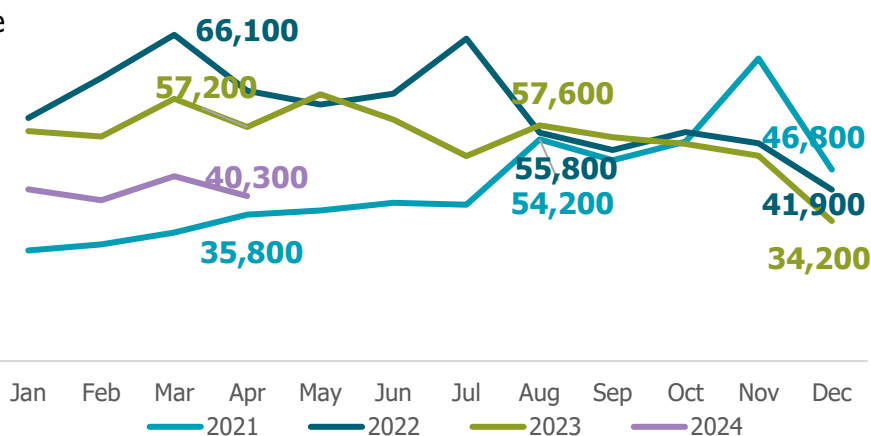
Specialised skills

- Project Management;
- Auditing; and
- Finance.

Public and private sector postings in April:

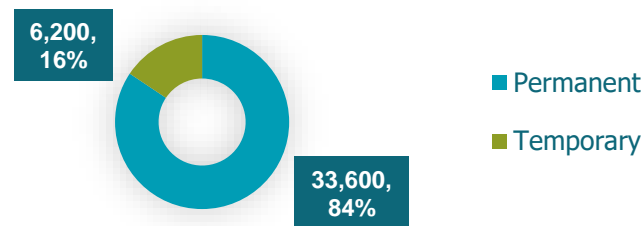
- In April, the top 10 organisations with the most job postings were predominantly private sector organisations.

Job Postings

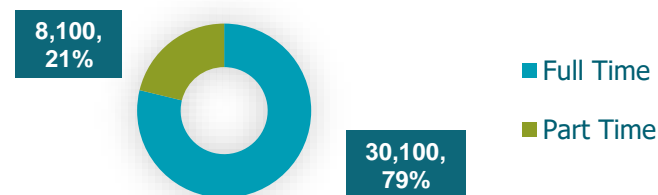


Job Postings in Scotland, April 2024

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.

¹ Lightcast (May 2024). Lightcast gathers insights from online job postings. Please note April 2024 job postings are provisional.

² Numbers rounded to the nearest 100.

Spotlight: Housing

Housing has been a key issue over the past two years as rising inflation has led to increases in the base interest rate, which has in turn increased mortgage payments. The price of rent has also risen. Housing last featured as a spotlight in the August 2023 edition of the Economy, People and Skills report. This update explores how the picture has moved on and considers the implications of housing for the labour market.

High inflation and interest rates being felt acutely by mortgage households

The latest inflation data shows owner occupiers' housing costs have continued to rise, increasing by 6.6% in the 12 months to April 2024, up from 6.3% in the 12 months to March. This is the highest rate since July 1992.¹ Mortgage households have also experienced the highest rate of annual inflation of all tenure types. For this group costs increased 6.3% in the year to December 2023, compared with 4.9% for private renters, 4.8% for social renters and 4.0% for outright owner occupier households.²

Mortgage rates have increased considerably

Reflecting high rates of inflation, which peaked at 11.1% in October 2022, the BoE has increased the base interest rate to 5.25% (up from 0.1% in December 2021) in an effort to peg inflation back to the 2% target. This has led to a substantial increase in the re-payment rates providers are offering mortgagees, with an average 2 year deal having increased from an interest rate of around 2.5% in January 2022 to a peak of 6.85% in August 2023.³ The most recent data shows an average 2 year interest rate of 5.91% in early May 2024, having increased from a recent low of 5.56% in February 2024.^{3,4}

¹ ONS. [CPI, UK: April 2024](#) (May 2024).

² ONS. [Household Costs Indices for UK household groups](#) (Feb 2024).

³ Moneyfacts. [Two-year fixed mortgage rates see biggest monthly drop since 2022](#) (Feb 2024).

⁴ Moneyfacts. [Residential fixed mortgage rate increases gain pace](#) (May 2024).

Impact on mortgagees reflects growing numbers moving on to higher rate deals

The vast majority (nearly 90%) of mortgages in the UK are on fixed rate deals, meaning many were initially shielded from increased interest rates.⁵ However, fixed rate deals on older (and lower) interest rates are increasingly coming to an end. Around 700,000 fixed rate deals (the vast majority of which were on interest rates of under 2.5%) came to an end in the latter half of 2023, with a further 600,000 ending in the first half of 2024.⁵

In December 2023 the BoE estimated that around 55% of mortgage accounts had experienced a change in price since the beginning of base rate increases in December 2021. This will have continued to increase since the start of 2024 as more households have moved on to higher interest rates.⁶



For fixed rates ending between 2023 Q2 and 2026 Q4:⁶
Typical monthly payment increase of £240

The proportion of mortgages in arrears has increased

The latest data from the BoE shows that in Q4 2023 1.23% of mortgage loans were in arrears. This is the highest proportion in arrears since Q4 2016, and is up from 1.12% in the previous quarter and 0.81% the previous year.⁷ As with the growing inflation in owner occupiers' housing costs, this likely reflects the increasing number of households moving on to new, and higher, interest rates as well as cost of living pressures more generally.

⁵ ONS. [How increases in housing costs impact households](#) (Jan 2023).

⁶ BoE. [Financial Stability Report – December 2023](#) (Dec 2023).

⁷ BoE. [Mortgage Lenders and Administrators Statistics – 2023 Q4](#) (Mar 2024).

Spotlight: Housing

Private rental costs have also risen substantially

While mortgagors may have seen the greatest direct impact on their housing costs from rising interest rates, renters have also experienced a substantial increase in costs. The latest data from the ONS estimates that private rents in Scotland increased by 10.0%* in the 12 months to April 2024, compared with 8.9% across the UK. This is down from a peak of 11.8%* in August 2023, which is the highest annual increase since the series began in 2012.⁸

Year on Year Average Private Rent Increase (Scotland, %)



Source: ONS (2024).

Rental price increases have varied across Scottish regions

Rental prices have grown substantially across Scotland, but regional data estimates increases were particularly acute in Greater Glasgow (22.3%* increase from 2022 to 2023 in average rent for two-bedroom property) and Lothian (18.4%*). This was compared with 14.3%* across Scotland as a whole.⁹

Wage growth contributes to increases in rents

Analysis from the Resolution Foundation suggests that above-inflation increases in UK rental prices largely reflect growth in earnings and a bounce-back from decreases in rental prices during the pandemic. It is expected that price growth in new rentals will start to decrease as earnings growth falls, but that higher increases across the entire stock of rents may continue as it takes longer for changes to feed into existing tenancies.¹⁰

Rising housing costs have created significant financial pressures

The latest UK data shows that over a third (36%) reported difficulty affording their rent/mortgage payments, up from 30% in March 2022.¹¹ There are also reports difficulties have been greater for single parent households (61%), Asian or Asian British (56%), and Black, African, Caribbean or Black British adults (51%).¹²

Housing challenges have implications for the labour market

Research suggests that housing affordability can impact productivity where workers can be less able to live in areas with more productive jobs and limit skills matching in the labour market.¹³ Anxiety over rising costs could also impact participation. Three in five people in the UK say that the cost of living crisis is having a negative impact on their mental health.¹⁴ As has been widely reported, economic inactivity has increased since the start of the pandemic, with long-term sickness the key driver.¹⁵

Challenges likely to persist in future years

Commentators such as the Resolution Foundation point out that financial pressures from increased housing costs will continue in the coming years, which poses a significant risk to improving the standard of living for many people.¹⁶

⁸ ONS. [Private rent and house prices, UK: May 2024](#) (May 2024).

⁹ Scottish Government. [Private Sector Rent Statistics, Scotland, 2010 to 2023](#) (Nov 2023).

¹⁰ Resolution Foundation (RF). [Through the Roof](#) (April 2024).

¹¹ ONS. [Public opinions and social trends, Great Britain: 24 April to 6 May 2024](#) (May 2024).

¹² ONS. [Impact of increased cost of living on adults across Great Britain](#) (Dec 2023).

*Please note that data on rent increases in Scotland is predominantly based on advertised new lets, which were not subject to Scotland's in-tenancy price-increase cap and are not subject to temporary changes to the Rent Adjudication system.

¹³ Economics Observatory. [How does the housing market affect UK productivity?](#) (Feb 2023).

¹⁴ King's College London. [Experiencing the cost-of-living crisis](#) (Oct 2023).

¹⁵ IPPR. [Mental health problems 'most common condition' among the sick forced out of UK workforce](#) (Dec 2022).

¹⁶ RF. [Through the Roof](#); IFS [Housing costs take up three-and-a-half times as much of the budgets of the poor as of the rich, with significant implications for their standard of living](#) (Nov 2023).

LMI resources



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

Recordings of our recently completed programme of accompanying webinars are also available [here](#).



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

The Data Matrix is updated Monthly.



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

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

Apprenticeships

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

Find Business Support

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

PACE

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

Skills for Growth

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

Career Information, Advice and Guidance

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

Online Learning Portal

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

My World of Work Job Search

Helping employers advertise opportunities through SDS's careers website.

Green Jobs Workforce Academy

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

Contact us:

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