

Economy, People and Skills

December 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.

This report is part of a wider suite of labour market information products published by Skills Development Scotland, including **Regional** and **Sectoral** Skills Assessments.

New updates to these reports were published in October and complementary webinars are also available to view [here](#).

Find out more at the links above.

Inflation has risen further above the 2% target and quarterly economic growth has slowed from earlier in the year. More positively, new forecasts released alongside the Scottish budget predict increased annual growth. Key policies from the budget include plans to mitigate the two-child benefit cap and increased spending on health and affordable housing.

Administrative data sources suggest the labour market is stabilising post-pandemic

Labour Force Survey (LFS) estimates remain de-classified from official statistics due to falling response rates. Consequently, the Office for National Statistics (ONS) recommend these are considered alongside other sources. Looking at the latest quarterly trends for Scotland, the LFS suggests an increase in economic inactivity, whilst unemployment and employment are estimated to have fallen. As with last month, alternative administrative sources suggest a stabilisation of the labour market in recent months. The claimant count rate remained at 3.9% (revised estimates suggest it has been at the same rate since July), and Scotland's PAYE employees also remained broadly stable, with a slight fall (-0.2%) from the peak level seen in July 2024.

Online job postings continue to cool from post-pandemic highs

Online job postings continue to suggest the labour market is cooling, shifting towards the levels seen pre-pandemic. Job postings in November this year declined compared with both October (by 10% or 4,000 postings) and November 2023 (by 26% or 13,300 postings).

Inflation and wage growth increase

Inflation increased from 2.3% in October to 2.6% in November. The increase was in line with expectations, but

means CPI has risen further above the 2% target and is at its highest level since March 2024. UK regular pay growth also increased for the first time in over a year, growing by 5.2% in August to October, up from 4.9% in July to September. This increase was driven by the private sector. As expected, following the increase in inflation and wages, the Bank of England (BoE) voted to maintain the base interest rate at 4.75% in December.

GDP growth slows, and business confidence has fallen

New GDP data for Q3 2024 shows a slowdown in both the UK and Scotland, although this was sharper in the UK. Scotland's economy is estimated to have grown by 0.3% in Q3, down from 0.4% in Q2 and 0.7% in Q1, while UK GDP grew by just 0.1% in Q3, down from 0.5% in Q2 and 0.7% in Q1. Monthly data reinforces the view of a slowing economy with initial estimates suggesting contraction in September and October for the UK, and contraction in October for Scotland.

Business confidence also appears to have fallen compared with earlier in the year. The latest Federation of Small Business Index found a considerable fall in confidence over Q3 2024. Purchasing Managers' Index data also suggested future sentiment for Scottish businesses fell to a near two-year low with concerns over the impact of the UK budget.

New forecasts predict improved growth for Scotland

The Scottish budget was announced earlier this month, accompanied by new forecasts from the Scottish Fiscal Commission (SFC). Key budget policies include a proposal to mitigate the two-child benefit cap, which the Scottish Government plans to implement in 2026, and greater spending on health and affordable housing. The SFC's economic forecasts have improved from last year with the economy now predicted to grow at a faster rate.

UK and Scotland Economy - Gross Domestic Product (GDP)

UK GDP

The latest data for the UK indicates a slowdown in growth from earlier in the year. UK GDP is estimated to have grown by 0.1% in Q3 2024, down from 0.5% in Q2 and 0.7% in Q1.¹

The slowdown has also been reflected in monthly figures, as the UK economy contracted by 0.1% in both October and September. The decline in October was contrary to expectations of slight growth.²

Revised annual GDP figures from the Office for National Statistics (ONS) estimate the UK economy grew slightly in 2023 (0.3%) – an upward revision from an initial estimate of 0.1% growth.¹

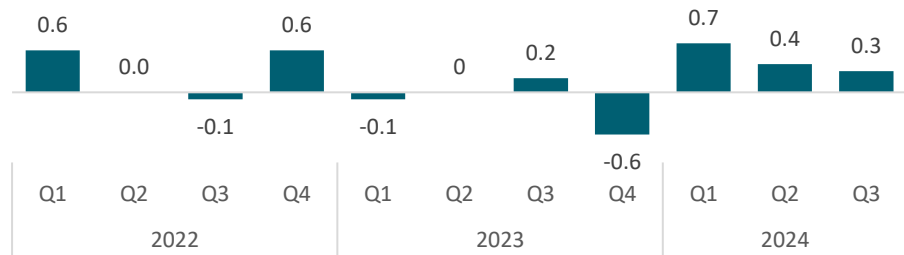
Scotland GDP

As with the UK, Scotland has seen quarterly GDP growth slow over the course of 2024. GDP growth in Q3 2024 was estimated at 0.3%,

down from 0.4% in Q2 and 0.7% in Q1.³ Revised figures estimate very low GDP growth across 2023 of 0.2% for Scotland (up from a first estimate of 0.1%).³

Monthly GDP figures show that the Scottish economy contracted by 0.2% in October, although this followed 0.3% growth in September. Similar to the UK, monthly figures suggest that growth is slowing.⁴

Quarter on Quarter GDP Change (%) (Scotland)



Economic Outlook

New economic forecasts for Scotland were released by the Scottish Fiscal Commission (SFC)⁵ in early December alongside the Scottish budget announcement.

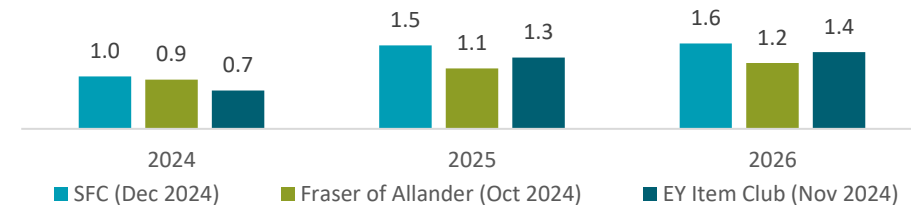
The latest forecasts for growth are more positive than those released by the SFC last year, predicting 1.0% growth in 2024, rising to 1.5% in 2025 and 1.6% in 2026. This compares with 0.7%, 1.1% and 1.3% respectively in the SFC’s December 2023 forecast. The increase reflects slightly better than expected performance in 2024, an expected temporary boost from UK fiscal loosening, and higher than previously anticipated migration and population growth.

Compared with other Scottish forecasts, the SFC are more positive than the Fraser of Allander (although it should be noted this forecast was released prior to the UK budget) and EY Item Club. For context, the Office for Budget Responsibility’s (OBR) forecast for

the UK predicts 1.1% growth in 2024, rising to 2.0% in 2025 and 1.8% in 2026. SFC note that higher growth predictions for the UK are mainly due to higher population growth in the UK.

The SFC also judge that the Scottish labour market is tighter than the UK (although the gap has become smaller). As a result, wage growth is expected to be higher in Scotland and unemployment is predicted to rise slightly, to trend around 4.1% over the forecast.

Forecasts for annual GDP growth, Scotland (%)



¹ ONS. [GDP First Quarterly Estimate, UK: July to September 2024](#) (November 2024).

² ONS. [GDP monthly estimate, UK: October 2024](#) (December 2024).

³ Scottish Government. [GDP First Quarterly Estimate: 2024 Q3](#) (November 2024).

⁴ Scottish Government. [GDP Monthly Estimate: October 2024](#) (December 2024).

⁵ SFC. [Scotland’s Economic and Fiscal Forecasts](#) (December 2024).

Inflation and the Cost of Living



Small business confidence falls in Q3

The latest Federation of Small Business (FSB) Index found **a considerable fall in confidence in Q3 2024**. In both the UK and Scotland, the index fell to its **lowest level since Q4 2022**.^{1,2}

For businesses in Scotland, the index fell to -41.2, the lowest score of all countries/regions in the UK, and down from -7.0 in Q2.²

The fall in sentiment reflects perceptions that the UK budget would increase tax (the survey was prior to the budget) as well as ongoing challenges in the economy including consumer demand. Looking ahead, the FSB predict improved conditions, but note downside risks.



Pessimism grows over the current and future economic outlook

The Understanding Scotland tracker survey³ for November 2024 found that **sentiment had worsened for both the current and future state of the Scottish economy**.

Nearly two-thirds (63%) of respondents reported that general economic conditions are worse than they were 12 months ago, up 9 pp compared with August 2024.

Similarly, around two-thirds (65%) expect economic conditions to worsen over the next 12 months, up by 13 pp compared with August. The results for personal finance showed the same trend of worsening sentiment.



Inflation increases further above target

Inflation (CPI) in the UK increased to 2.6% in November 2024, up from 2.3% in October. This was in line with expectations, but leaves CPI further above the 2% target and at its highest level since March 2024.⁴

The main drivers of the increase include rising fuel and clothing prices.

As well as the headline rate, core inflation also increased, from 3.3% in October to 3.5% in November. However, services inflation, another key indicator of underlying inflation, remained at 5.0%.

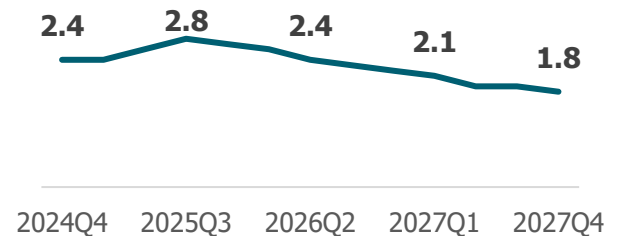
Inflation forecast

UK inflation forecasts were released by the BoE in November.⁵ Similar to their previous forecasts, inflation is predicted to temporarily increase, before then returning to target. One of the key drivers for the increase is the fall in energy prices coming out of the annual calculation. However inflation is now expected to peak later (Q3 2025 instead of Q4 2024/Q1 2025), and at a slightly higher level (2.8% compared with 2.7%).

It is also forecast to take longer to return to the 2% target, with inflation falling to slightly below 2% in Q2 2027, compared with Q1 2026 in the previous forecast.

The inflation forecast released by the OBR⁶ in October is similar, with inflation predicted to peak at 2.7% in Q2/Q3 2025. Although the OBR expect it to take longer for inflation to fall back to target (Q1 2029).

BoE – Modal CPI Inflation Projection (%)



¹ FSB. [Small Business Index, Q3 2024](#) (November 2024).

² FSB. [Scotland Small Business Index, Q2 2024](#) (August 2024).

³ Diffley Partnership. [Understanding Scotland Economy Tracker](#) (November 2024).

⁴ ONS. [CPI, UK: November 2024](#) (December 2024).

⁵ Bank of England. [Monetary Policy Report – November 2024](#) (November 2024).

⁶ OBR. [Economic and Fiscal Outlook](#) (October 2024).

The ONS published revised LFS estimates from 2011 for the UK (except for youth unemployment, which is from 2019) and from 2019 for Scotland this month. 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 73.2%**

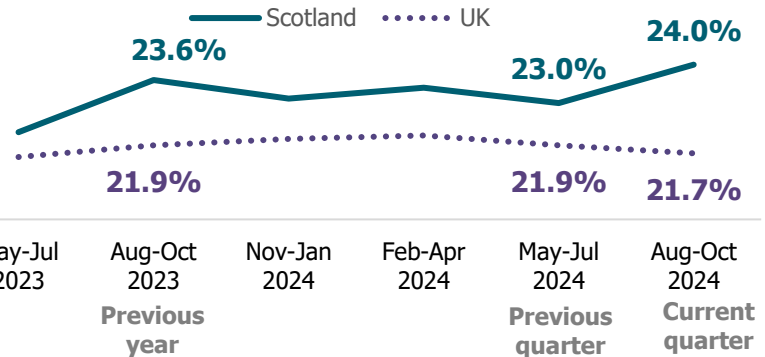
- The latest data suggests Scotland's employment rate was **73.2%** in the period covering August to October 2024. The rate is estimated to have decreased by 0.4 pp compared with the previous quarter.*

Economic Inactivity (16-64)¹

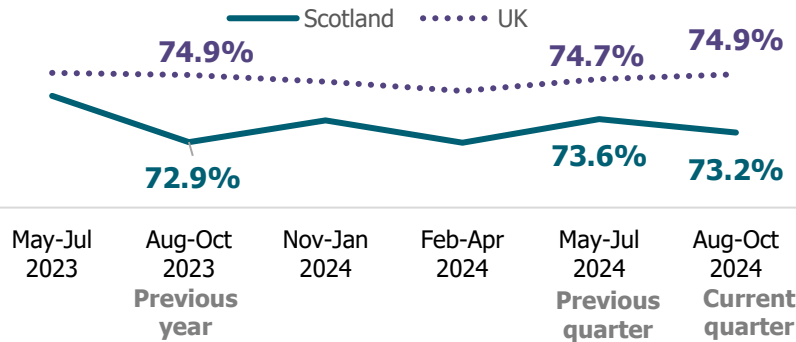
➤ **The 16-64 Scottish economic inactivity rate was estimated to be 24.0%**

- The latest data suggests that Scotland's economic inactivity rate was **24.0%** in August to October 2024. The economic inactivity rate was 1.0 pp higher than last quarter.*

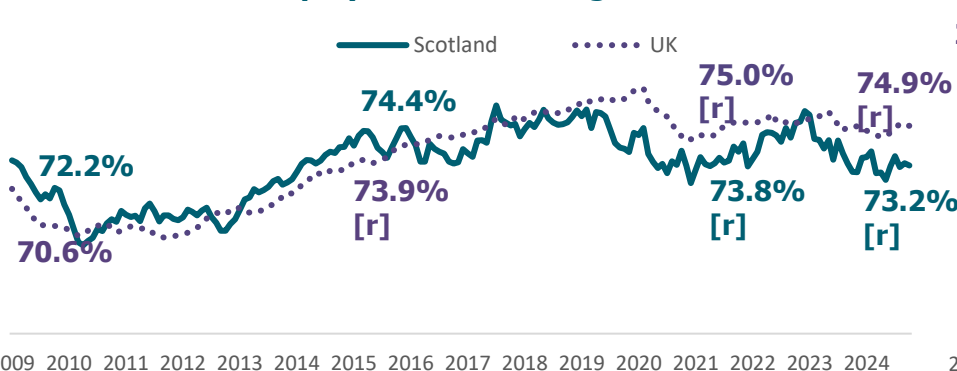
Economic Inactivity Rate



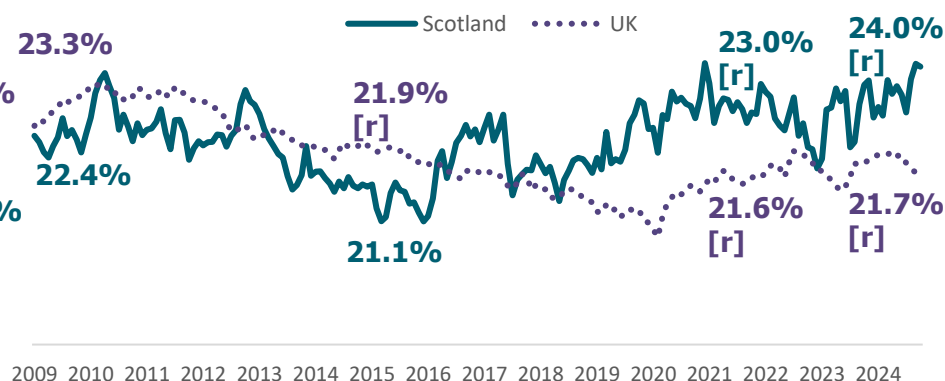
Employment Rate



Employment Rate: Longer-term trend



Economic Inactivity Rate: Longer-term trend



¹ ONS. Labour Force Survey (17th December 2024).

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

The ONS published revised LFS estimates from 2011 for the UK (except for youth unemployment, which is from 2019) and from 2019 for Scotland this month. 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 3.6%**

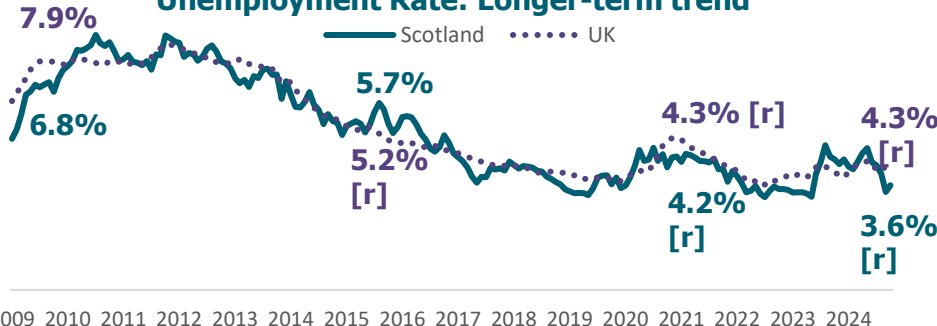
- The latest data suggests Scotland's unemployment rate was **3.6%** in the period covering August to October 2024. This is a decrease compared with the last quarter (0.7 pp change).*

Unemployment Rate



May-Jul 2023	Aug-Oct 2023	Nov-Jan 2024	Feb-Apr 2024	May-Jul 2024	Aug-Oct 2024
Previous year				Previous quarter	Current quarter

Unemployment Rate: Longer-term trend



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

➤ **16-24 youth unemployment in Scotland was estimated to be 12.3%**

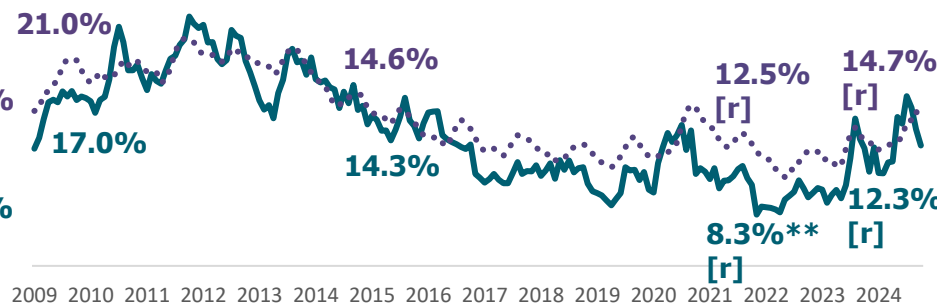
- The latest data estimates Scotland's youth unemployment rate was **12.3%** in the period covering August to October 2024.* This is higher than the same period of the previous year (0.3 pp increase), but it is important to note the declassification of LFS data and the small sample sizes that youth unemployment is based on.**

Youth Unemployment Rate



May-Jul 2023	Aug-Oct 2023	Nov-Jan 2024	Feb-Apr 2024	May-Jul 2024	Aug-Oct 2024
Previous year				Current quarter	Current quarter

Youth Unemployment Rate: Longer-term trend



2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024

2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024

¹ ONS, Labour Force Survey (17th December 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. **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 Scottish LFS boost, is the Accredited Official Statistics source for labour market indicators by region and age. Please find analysis of the youth labour market using APS data [here](#).

Universal Credit¹ and Claimant Count Rate²

585,000

people claiming Universal Credit in Scotland in November 2024

Between October and November 2024, 12,300 additional people in Scotland claimed Universal Credit, an increase of 2.1%. 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 2022 the proportion of claimants in work has ranged from 35% to 38%. As noted in September’s spotlight, migration from legacy benefits is likely to be a factor in the increase in people claiming Universal Credit.

3.9%

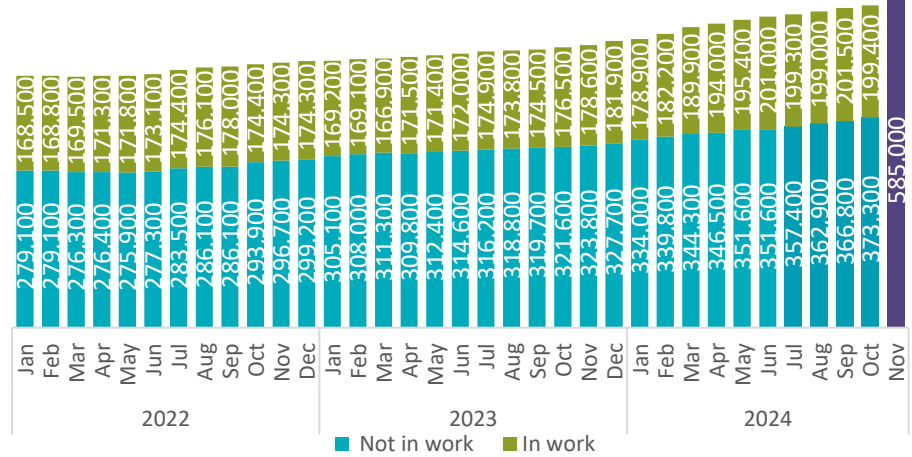
Claimant Count rate in Scotland in November 2024

Between October and November 2024, the Claimant Count rate remained at 3.9%. The Claimant Count rate has fallen from 4.7% in January 2022, but there was a slight uptick earlier this year. The Claimant Count rate increased from 3.6% in April to 3.9% in July, but has since remained at 3.9%.

Universal Credit claimants in Scotland by employment status

65% 35%

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



Redundancies³ and Company Insolvencies⁴

4,000*

Redundancies in the three months to October 2024 in Scotland

1.6*

Redundancies per 1,000 people (3.4 in the UK)

Scotland’s latest redundancy figure cannot be compared with the previous year as data for August to October last year was suppressed on disclosure grounds. For the UK as a whole, redundancies increased by 40,000 compared with the previous year, but it should be noted the number of redundancies recorded in August to October 2023 for the UK was particularly low.

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

¹ Department for Work and Pensions (December 2024). The breakdown of Universal Credit claimants by employment status is not available for November. November data is provisional. Figures for ‘not in work’ could include both those unemployed or economically inactive.

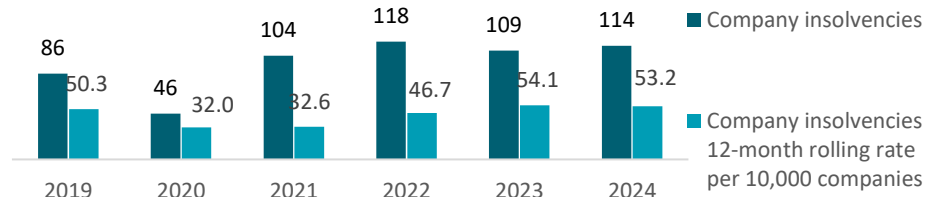
² ONS. Claimant Count (December 2024). *Experimental statistics*. November data is provisional.

114

Company insolvencies in Scotland, November 2024

Following a reduction during the pandemic, company insolvencies have since increased. In general, the trend has shown that company insolvencies in 2024 outstripped the number seen in 2019. This is reflected in data for November, as both the number and rate of insolvencies was higher in 2024 than in 2019,

Company Insolvencies (Scotland), November



³ ONS. Labour Force Survey (17th December 2024).

⁴ The Insolvency Service. [Monthly Insolvency Statistics, November 2024](#) (December 2024).

LMI resources



Regional Skills Assessments and Sectoral Skills Assessments

provide a consistent evidence base to inform future investment in skills.

New updates were released in October 2024. A series of webinars on the new publications are also available to view [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:

rsa@sds.co.uk