

Economy, People and Skills

June 2026



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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 has remained broadly unchanged in the three months to April, but is weaker than it was last year. In Scotland, survey data pointed to a moderate weakening in labour market conditions, although payrolled employment remained stable. Forecasts from the British Chambers of Commerce suggest UK economic growth will remain subdued through 2026, with labour market conditions expected to weaken further.

UK labour market remained weak but largely unchanged, as Scotland weakened further

The UK labour market remained broadly stable in the three months to April 2026, although it continues to appear weaker than a year earlier. Employment held at 75.0%, unchanged on the previous quarter, while a 0.3 pp rise in economic inactivity met with a fall in unemployment. More recent PAYE data suggested little short-term movement, with employment up by less than 0.1% in May but still below its level a year ago. At the same time, demand for labour has continued to ease, with vacancies falling by 2.6% and reaching their lowest point since early 2021.

In Scotland, the labour market continued to show signs of weakening. Employment has edged down to 74.3% in recent months, while both inactivity and unemployment rose slightly over the same period. PAYE data suggests little change in the short term, with payrolled employment broadly stable but still below last year's level.

Against a backdrop of a softening labour market, young people have been facing growing challenges across Scotland and the UK. Youth unemployment has continued to rise, reaching 13.2% in Scotland, higher than a year earlier. This reflects a wider trend highlighted in the Milburn Interim Report, showing a sharp increase in the number of young people not in education, employment or training, which since the report was published has

exceeded one million across the UK, the highest level in over a decade. This growing issue has been linked in part to health challenges, particularly mental health, and carries significant economic and social implications.

Inflation held, but upward pressures expected as growth outlook softens

Wage and price pressures in the UK have continued to ease, with pay growth slowing to 3.4% and inflation holding at 2.8% in May. However, inflation is expected to pick up again in the coming months as higher energy costs feed through into prices. Economic growth in the UK strengthened at the start of the year, with GDP rising to 0.6% in Q1, although this may partly reflect activity being brought forward and may not be sustained. In Scotland, growth has been more modest, and both business and consumer sentiment remained subdued as ongoing global uncertainty continues to weigh on demand.

Future outlook

The latest forecasts from the British Chambers of Commerce (BCC) point to a subdued outlook for the UK economy over the next two years. Growth is expected to remain modest, at around 0.9% in 2026, while inflation could rise in the near term, peaking at 3.8% as higher energy and shipping costs feed through into prices.

Alongside this, labour market conditions are expected to soften further. Across the UK, unemployment is projected to increase to 5.2% in 2026, reflecting ongoing cost pressures and structural changes such as the adoption of AI, which are expected to weigh on hiring. These trends are likely to affect younger workers most, with youth unemployment forecast to rise in the coming years as entry-level opportunities become more limited.

UK and Scotland Economy - Gross Domestic Product (GDP)

UK GDP

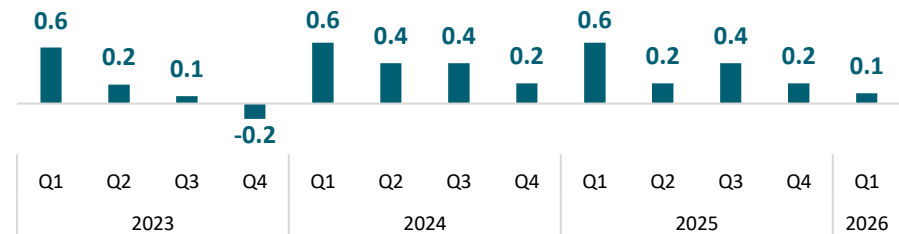
UK GDP is estimated to have grown 0.6% in Q1 2026, following revised growth of 0.2% in Q4 2025.¹ GDP grew by 0.7% in the three months to April, following growth of 0.6% in the three months to March and 0.5% in the three months to February. In April, monthly GDP contracted by 0.1%, following a growth of 0.3% in March and 0.4% in February.² Annual GDP is estimated to have increased by 1.4% in 2025, revised up from 1.3%, following unrevised growth of 1.1% in 2024.¹

Scotland GDP

Scotland's GDP is estimated to have grown by 0.1% in Q1 2026, after growing 0.2% in the previous quarter.³ The Manufacturing sector made the largest negative contribution towards quarterly GDP. Monthly figures show that in the three months to April 2026

Scotland's GDP grew by 0.1%⁴, this follows growth of 0.1% in the three months to March and a contraction of 0.1% the three months to February. Monthly GDP is estimated to have grown by 0.4% in April 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

Earlier this month, the British Chambers of Commerce (BCC) published its latest economic forecasts, outlining expectations for UK GDP growth, inflation, and the labour market. The forecasts suggest economic activity will remain subdued in 2026 and 2027, as the effects of the Middle East conflict continue to weigh on growth.⁵

According to the BCC, UK GDP growth is forecast to be 0.9% in 2026, only slightly lower than its previous estimate despite ongoing geopolitical uncertainty, reflecting stronger-than-expected performance in the first quarter of the year. Services are expected to remain the main driver of growth in 2026, as a decline in construction activity is anticipated, and manufacturing could see only modest growth. Growth is then expected to remain broadly stable at 1.0% in 2027, before picking up modestly to 1.3% in 2028.

Inflation is expected to rise in the near term and could peak at 3.8% in Q4 (up from 2.7% in the previous forecast) due to higher energy

and shipping costs linked to the Middle East conflict. It is then forecast to ease to 2.3% by the end of 2027 and 2.0% by the end of 2028. The BCC explains that while the Bank of England is expected to hold interest rates through this temporary spike, the outlook remains uncertain and could change if inflationary pressures intensify further.

The BCC also anticipates the UK labour market to continue to weaken, with unemployment projected to rise to 5.2% in 2026 and 5.5% in 2027. BCC surveys continue to identify labour costs as the main pressure on businesses. Youth unemployment is also expected to increase to 16.9% in 2026 and 17.8% in 2027, reflecting reduced entry-level opportunities as costs rise and AI adoption grows. Meanwhile, firms facing squeezed margins from higher input costs and wage pressures are likely to see earnings growth ease over time.

Against this backdrop, global conditions are expected to become more challenging. The World Bank expects global growth to slow to 2.5%, with higher inflation and supply disruptions pushing up costs.⁶

¹ ONS. [GDP first quarterly estimate, UK: January to March 2026](#) (May 2026).

² ONS. [GDP monthly estimate, UK: April 2026](#) (June 2026).

³ Scottish Government [GDP First Quarterly Estimate 2026 Q1 \(January to March\)](#) (May 2026).

⁴ Scottish Government [GDP Monthly Estimate: April 2026](#) (June 2026)

⁵ BCC [Economic Forecast: Growth To Remain Subdued](#) (June 2026).

⁶ World Bank [Global Economics Prospects](#) (June 2026).

Inflation and the Cost of Living



Business activity continues to decline

The latest Royal Bank of Scotland (RBS) tracker indicates continued contraction in Scotland's private sector. The Business Activity Index fell from 48.0 in April to 47.1 in May, marking the most significant decline seen in the past 14 months.¹ Anecdotal evidence suggests that sales have been affected by increased uncertainty and higher prices linked to the ongoing situation in the Middle East.

The headline S&P Global Flash UK PMI output dropped further in June to 49.4 (down from 49.7 in May).² New business volumes fell at its fastest pace in 14 months, leading to a sharper reduction in backlogs and a decline in staffing.

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Consumer sentiment remains weak

The Scottish Consumer Sentiment Indicator remained in negative territory in May, standing at -13.0.³ Although the composite index rose slightly from April (-16.7), perceptions of current household finances weakened (a decrease of 2.9 points).

At the UK level, consumer sentiment remained weak and broadly unchanged in June, with the S&P Global index at 42.2 (just slightly up from 42.1 in May)⁴ and GfK's index unchanged at -23.⁵

Consumers remain cautious about household spending as labour market uncertainty rises. As a result, many are taking a "wait-and-see" approach until the outlook becomes clearer.

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UK inflation held at 2.8% in May, below expectations

Inflation remained unchanged at 2.8% in May.⁶ This was below analysts' expectations of 3%.⁷

Higher petrol prices and airfares were offset by easing food inflation and lower heating oil costs.

As airfares are set around three months in advance, recent rises in jet fuel costs have yet to feed through. Inflation is expected to pick up in the coming months as higher regulated energy bills take effect from July.

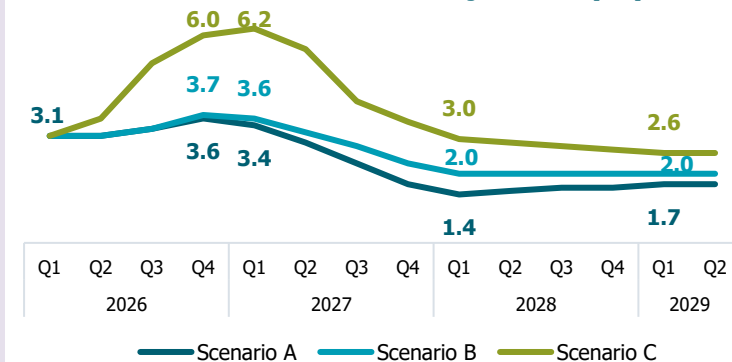
Core inflation increased to 2.6% in May, from 2.5% in April. Services inflation also increased to 3.7% in May, from 3.2% in April.

Inflation forecast

The latest inflation projections from the BoE were published in April 2026.⁸ The BoE set out three scenarios (A, B and C) to illustrate possible outcomes, with no central forecast. The scenarios vary across two key sources of uncertainty: global oil and gas price paths and the strength of second-round effects in domestic prices and wages. Scenario A assumes a temporary energy shock, Scenario B more persistent price pressures, and Scenario C - a more adverse outcome with stronger inflationary effects and a tighter required monetary policy stance.

In all three scenarios the inflation projections start a little above 3% in Q1 2026, then diverge: Scenario C spikes sharply to 6% by the end of 2026 before steadily easing back toward 3% by 2028, while the other two scenarios rise more modestly into the mid-3% range by the end of 2026 and then drift downward, dipping to around 2% (and briefly closer to the mid-1% range in Scenario A) by Q1 2028.

BoE – CPI Inflation Projections (%)



— Scenario A — Scenario B — Scenario C

¹ RBS [Growth Tracker](#) (June 2026)

² S&P [Global Flash UK PMI](#) (June 2026)

³ Scottish Government [Scottish Consumer Sentiment Indicator: Monthly data](#) (June 2026)

⁴ S&P [Global UK Consumer Sentiment Index](#) (June 2026)

⁵ GfK [Consumer confidence stay at -23 in June](#) (June 2026)

⁶ ONS. [CPI, UK: May 2026](#) (June 2026).

⁷ FT. [UK inflation unexpectedly held steady at 2.8% in May](#) (June 2026)

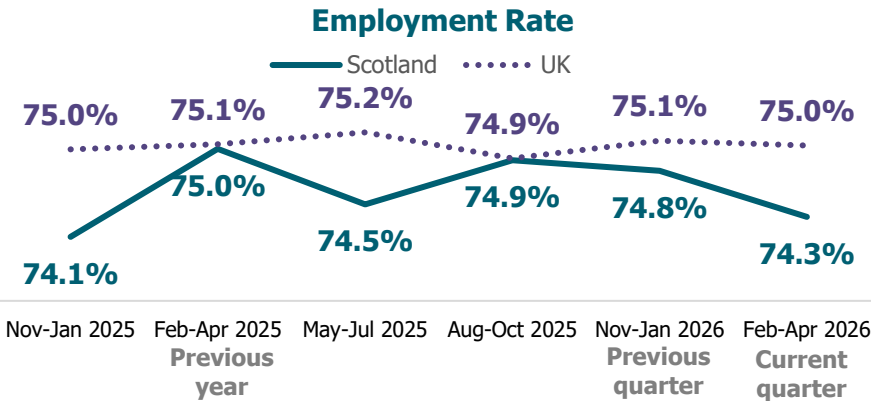
⁸ BoE. [Monetary Policy Report](#) (April 2026).

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)¹

➤ **Scotland's employment rate was estimated to be 74.3%**

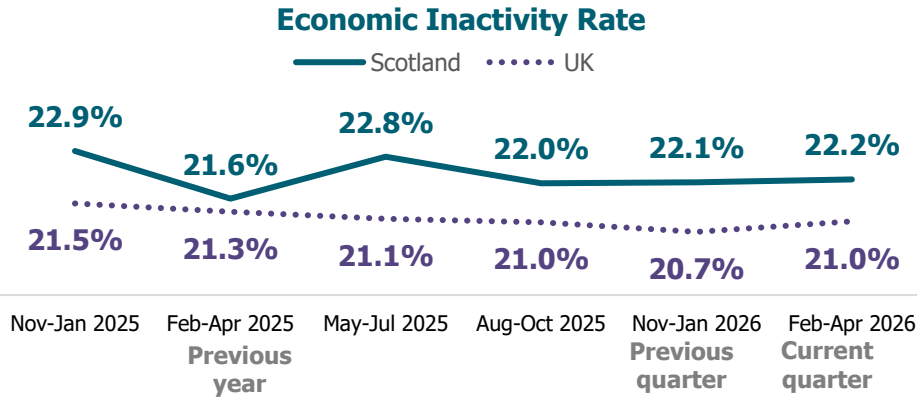
- The latest data suggests Scotland's employment rate was **74.3%** in the period covering February to April 2026. The rate decreased compared with the previous quarter (0.5 pp decrease).*



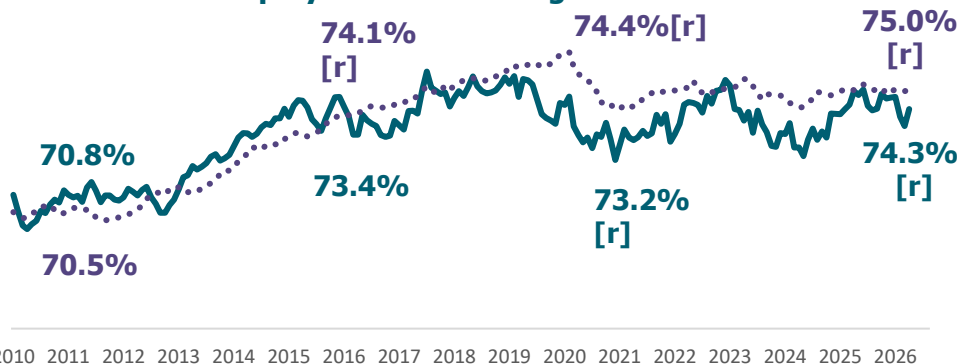
Economic Inactivity (16-64)¹

➤ **The 16-64 Scottish economic inactivity rate was estimated to be 22.2%**

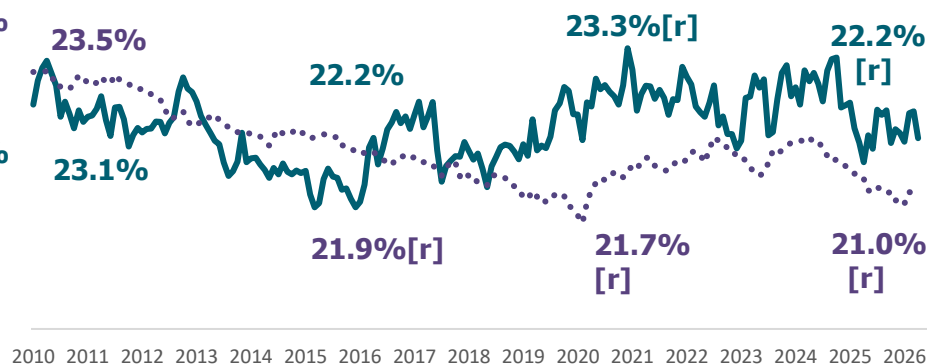
- The latest data suggests that Scotland's economic inactivity rate was **22.2%** in February to April 2026. The economic inactivity increased compared with the previous quarter (0.1 pp increase).*



Employment Rate: Longer-term trend



Economic Inactivity Rate: Longer-term trend



¹ ONS. Labour Force Survey (18th June 2026).

*Figures may not sum due to rounding.

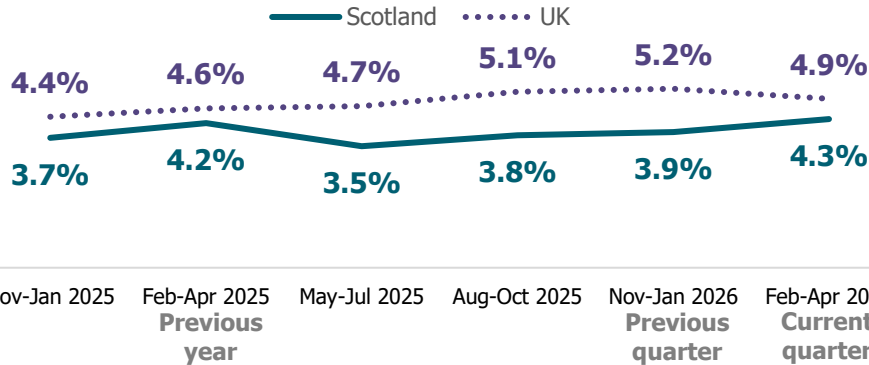
The ONS published revised LFS estimates from 2011 for the UK (except for youth unemployment, which is from 2019) and from 2019 for Scotland in December 2024. The revised data incorporates new population estimates, including the Scottish 2022 Census, helping to make LFS estimates more representative. 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+)¹

➤ **Unemployment in Scotland was estimated to be 4.3%**

- The latest data suggests Scotland's unemployment rate was **4.3%** in the period covering February to April 2026. This is an increase of 0.4 pp compared with the last quarter.*

Unemployment Rate

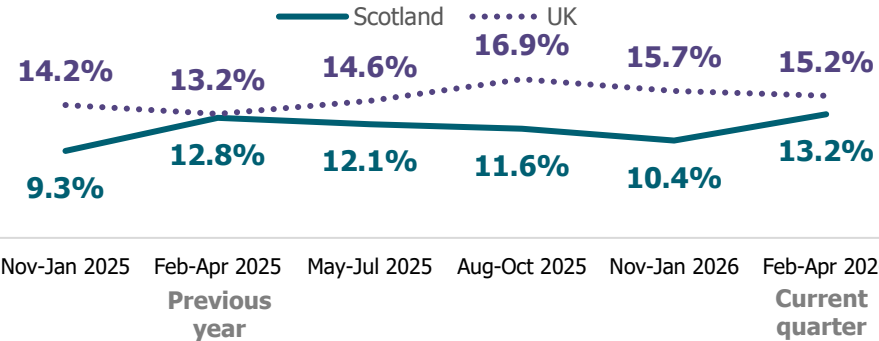


Youth Unemployment (16-24)^{1,2}

➤ **16-24 youth unemployment in Scotland was estimated to be 13.2%**

- The latest data estimates that Scotland's youth unemployment rate was **13.2%** in the period covering February to April 2026.** This is higher than the same period of the previous year (0.4 pp increase), but it is important to note the declassification of LFS data and the small sample sizes that youth unemployment is based on.**

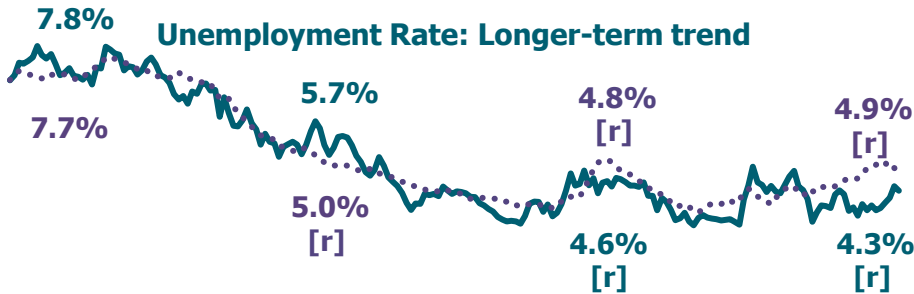
Youth Unemployment Rate



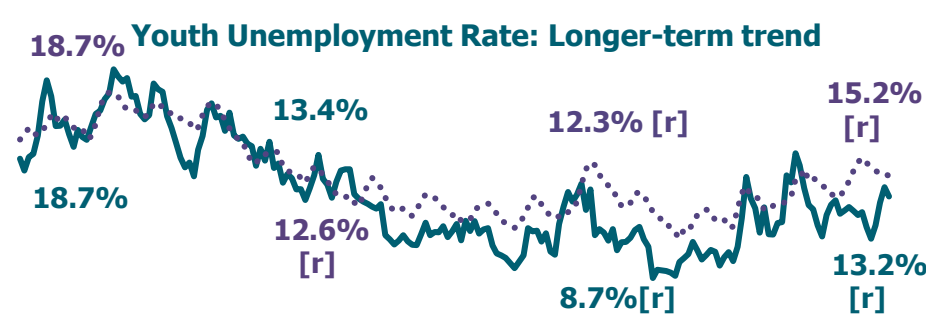
Nov-Jan 2025 Feb-Apr 2025 (Previous year) May-Jul 2025 Aug-Oct 2025 Nov-Jan 2026 (Previous quarter) Feb-Apr 2026 (Current quarter)

Nov-Jan 2025 Feb-Apr 2025 (Previous year) May-Jul 2025 Aug-Oct 2025 Nov-Jan 2026 Feb-Apr 2026 (Current quarter)

Unemployment Rate: Longer-term trend



Youth Unemployment Rate: Longer-term trend



¹ ONS. Labour Force Survey (18th June 2026). ² Please note: Youth Unemployment should only be compared to the previous year.

*Figures may not sum due to rounding. ** Subject to some sampling variability. More generally, age breakdowns of regions will be subject to smaller sample sizes, creating greater volatility and less precision. As a result, the Annual Population Survey (APS), which has a larger timeframe and the English, Welsh and Scottish LFS boosts, is the preferred source for labour market indicators by region and age (although it too has been impacted by smaller sample sizes and has been declassified from official statistics. The Scottish Government has also recently noted "limited confidence" in APS unemployment in youth unemployment estimates for Scotland). Please find analysis of the Scottish youth labour market using APS data [here](#).

Universal Credit¹ and Claimant Count Rate²

695,000

people claiming Universal Credit in Scotland in February 2026

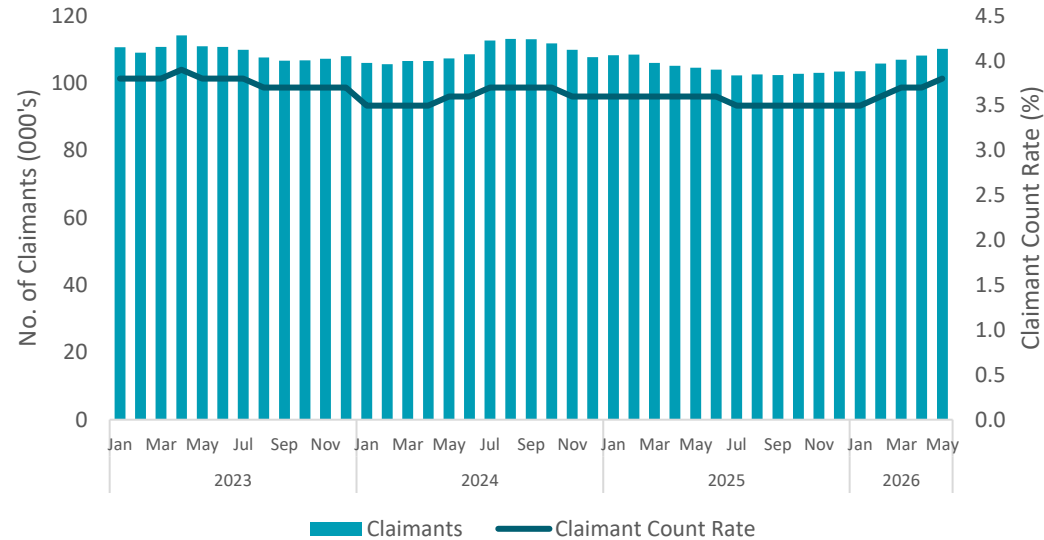
Between January and February 2026, 2,100 additional people in Scotland claimed Universal Credit, an increase of 0.3%.¹ This represents an increase of 93,000 (or 15.4%) with respect to February 2025.

3.8%

Claimant Count rate in Scotland in May 2026 (110, 226 claimants)

Between April and May 2026, the Claimant Count increased by 2,000 and the Claimant Count rate increased by 0.1 pp. 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)



Redundancies³ and Company Insolvencies⁴

11,000*

Redundancies in the three months to April 2026 in Scotland

4.7*

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

The number of people who were made redundant in Scotland increased by 6,300 in the three months to April 2026 compared with the three months to April 2025.

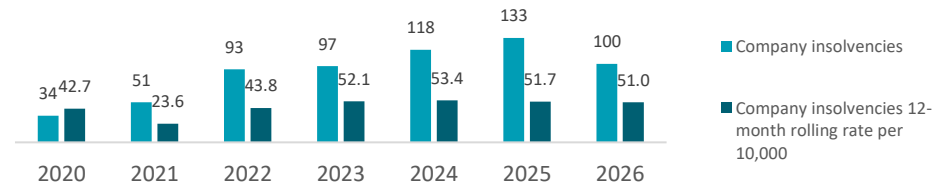
*Please note estimates are based on a small sample and should be used with caution.

100

Company insolvencies in Scotland, May 2026

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

Company Insolvencies (Scotland), May



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

² ONS. Claimant Count (June 2026). Experimental statistics. May data is provisional.

³ ONS. Labour Force Survey (18th June 2026).

⁴ The Insolvency Service. [Monthly Insolvency Statistics, April 2026](#) (June 2026).

Job Postings in Scotland^{1,2}

Provisional data for May suggests that online job postings in Scotland increased compared with April, rising to 52,300. Postings increased by 8.1% or 3,900 postings compared with April 2026 and increased by 4.9% or 2,400 postings compared with May 2025. The three-month rolling average job postings measure increased 8.6% from March to May 2026, compared with February to April. Temporary roles made up 18% of job postings in Scotland in May, rising by 3.7 pp compared with the same month in 2025.

The highest demand in May was for occupations such as:

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

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

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

- Increase:**
- Chefs (+300);
 - Kitchen and Catering Assistants (+300); and
 - Social workers (+200).

- Decrease:**
- Cleaners and Domestics (-200);
 - Care Workers and Home Carers (-100); and
 - Roundspersons and Van Salespersons (-100).

The skills in highest demand in May were:

Common skills

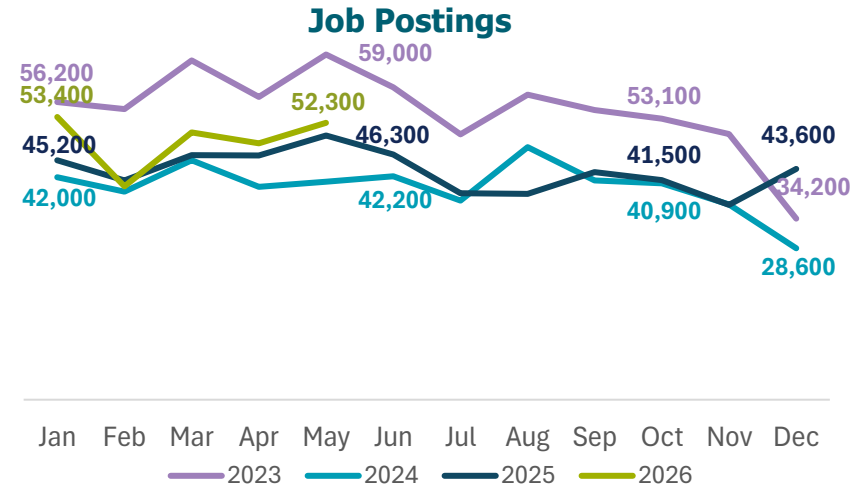
- Communication;
- Management; and
- Customer Service.

Specialised skills

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

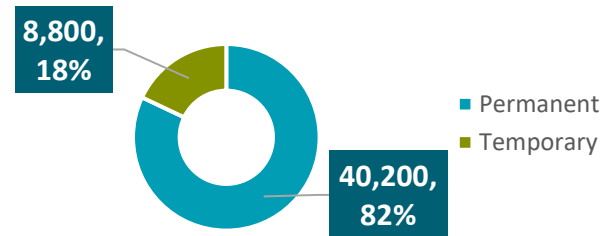
Public and private sector postings in May:

- In May, the top 10 organisations with the most job postings were mostly public sector organisations.

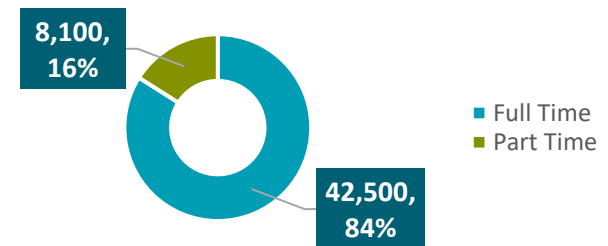


Job Postings in Scotland, May 2026

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 (June 2026). Lightcast gathers insights from online job postings.

² Numbers rounded to the nearest 100.

LMI resources



Regional Skills Assessments and Sectoral Skills Assessments

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

New updates 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