Economy, People and Skills

August 2026

Contents

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 most recent labour market data indicates a gradual softening in labour market conditions. Whilst employment levels have remained broadly unchanged, UK vacancies fell to their lowest level in five years, reflecting weaker activity. Continued uncertainty in global energy markets and geopolitical tensions also point to a cautious economic outlook.

UK labour market remains broadly unchanged while Scottish data reports increased participation

In the UK, demand for labour has continued to ease. Job vacancies continued to decline, reaching the lowest level in five years. Between May and July 2026, vacancies decreased by 0.8% compared with the February to April 2026 level. Recent ONS data indicates the UK labour market remained broadly steady in the three months to June. Employment rose slightly to 75.1%, whilst unemployment was 4.9% (-0.1 pp) and economic inactivity remained the same. More recent PAYE data also suggests little short-term movement, with employment largely unchanged for a third consecutive month.

Similar to last month, Labour Force Survey (ONS) data suggests that in the Scottish labour market there was some movement towards participation. There were more individuals in work or looking for work, whilst inactivity fell. Employment increased slightly to 74.0% (+0.2 pp), and unemployment rose to 5.1% (+0.6 pp) in the three months to June, whilst inactivity decreased to 22.0% (-0.7 pp), although it is important to note that this data source has been downgraded and are no longer considered accredited statistics, so they should be treated with caution.

UK inflation increases as expected

UK inflation increased from 2.6% in June to 2.9% in July. This was the first time that the 12-month rate has increased since March 2026 but was in line with economists' predictions. Annual regular pay growth was 3.5% in the three months to June 2026, up slightly from 3.4% the previous quarter. This reflects public sector pay growth, which continued to be affected by the timing of pay awards this year.

The UK and Scottish economies recorded continued growth in quarter two

Economic growth in the UK strengthened at the start of the year, with GDP rising to 0.6% in Q1. UK GDP growth has since slowed between April and June 2026, increasing by 0.4% in Q2 2026.

Scotland's GDP is estimated to have grown by 0.7% in Q2 2026, following growth of 0.1% the previous quarter. The latest Royal Bank of Scotland business activity index however, indicated continued contraction in Scottish private sector activity, while Scottish consumer sentiment remained in negative territory.

Future outlook

In forecasts published in July 2026, the Bank of England (BoE) expects UK economic growth to remain subdued through 2026 and early 2027, with unemployment forecast to rise modestly. They expect inflation to increase temporarily to around 3.2% before gradually returning to around the 2% target, although considerable uncertainty remains, particularly with regards to the global energy market and geopolitical tension.

UK and Scotland Economy - Gross Domestic Product (GDP)

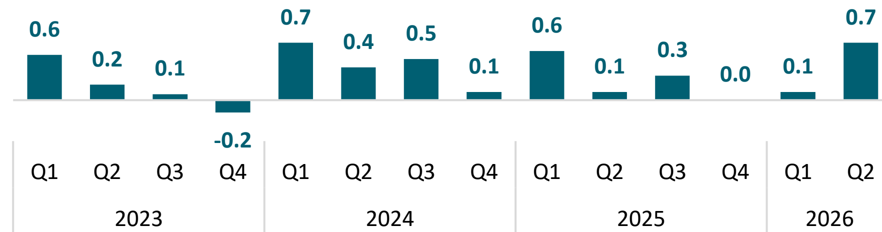
UK GDP

UK GDP is estimated to have grown by 0.4% in Q2 2026, following growth of 0.6% in Q1 2026.[1] GDP grew by 0.4% in the three months to June 2026, following revised growth of 0.6% in the three months to May and 0.8% in the three months to April. In June, monthly GDP grew by 0.3%, following no growth in May (revised down from 0.1%) and a fall of 0.1% in April.[2] Annual GDP is estimated to have increased by 1.3% in 2025, following growth of 1.0% in 2024.[3]

Scotland GDP

There was a 0.7% increase in Scotland's GDP during Q2 2026 (Apr-June), following growth of 0.1% in Q1 2026. The largest contribution towards quarterly GDP was the Distribution, Hotels and Restaurants sector.[4] Monthly figures show that in the three months to June 2026 Scotland's GDP increased by 0.7%, following growth of 0.5% in the three months to May (revised down from 0.6%). In the three months to April growth was 0.2%.[5] Monthly GDP is estimated to have grown by 0.5% in June 2026.[5] 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.[6]

Quarter on Quarter GDP Change (%) (Scotland)

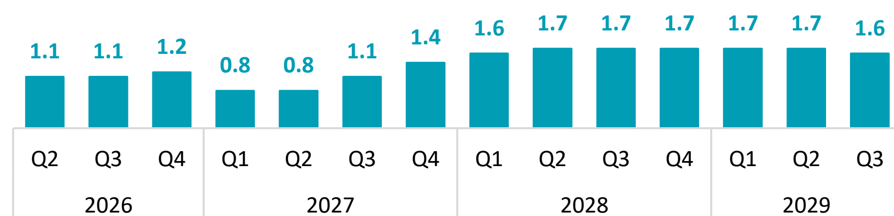


Economic Outlook

At the end of July, the Bank of England (BoE) held the base interest rate at 3.75% for the fifth consecutive time. Along with the interest rate decision, the BoE published its latest Monetary Policy Report, setting out updated forecasts for the UK economy.[7]

In its central projection, the Bank predicts that the growth of the UK economy will remain subdued over 2026 and into early 2027, with UK GDP projected to increase by between 1.1% and 1.2% in 2026 and between 0.8% and 1.4% in 2027. The outlook reflects factors including the continued impact of higher energy prices and tighter financial conditions. However, growth is projected to pick up from the second half of 2027 as the impact of lower real incomes lessens and consumption increases, with UK GDP growth rising to 1.7% in 2028.

BoE – UK GDP Projection (%)



The UK unemployment rate is projected to rise from around 5.0% in Q3 2026 to 5.3% in 2027, primarily reflecting subdued hiring rather than a rise in job losses. The unemployment rate is to return to around 5.0% by Q3 2029. Although labour market conditions have loosened, the Bank notes that spare capacity in the economy should help limit domestic inflationary pressures over the forecast period.

[1] ONS. GDP first quarterly estimate, UK: April to June 2026 (August 2026).
[2] ONS. GDP monthly estimate, UK: June 2026 (August 2026).
[3] ONS. GDP quarterly national accounts, UK: January to March 2026 (June 2026).
[4] Scottish Government. Scotland's GDP 2026 Quarter 2, First Quarterly Estimate (August 2026).
[5] Scottish Government. GDP Monthly Estimate, Scotland: June 2026 (August 2026).
[6] Scottish Government. Scotland's GDP 2025 Quarter 4, First Quarterly Estimate (February 2026).
[7] BoE. Monetary Policy Report (July 2026).

Inflation and the Cost of Living

Business activity data suggests a mixed outlook

The latest Royal Bank of Scotland tracker indicated continued contraction in Scottish private sector activity for the fourth consecutive month. The Business Activity Index fell from 47.6 in June to 47.3 in July as firms reported weak demand, geopolitical uncertainty and fewer new orders.[1] However, there were some positive signs: job creation grew at its fastest rate since September 2024, driven by service providers, while cost pressures eased and business confidence improved.

At 52.5, the August headline S&P Global Flash UK PMI[2] was at a four-month high and above 50 for the second consecutive month, indicating moderate expansion of private sector output.

Trends in consumer sentiment vary, but remain negative

The Scottish Consumer Sentiment Indicator in July (-8.8) was more negative this month compared to last (-8.2), primarily driven by views on household finances.[3]

At the UK level, the S&P Global index also suggested **consumer sentiment weakened in August,** falling from 43.4 in July to 42.9.[4] Rising job insecurity, lower household incomes and ongoing financial pressures weighed on sentiment.

Alternatively, the **GfK's UK consumer confidence index increased** three points to -14.[5] While remaining in negative territory, this is the highest figure recorded since August 2024, defying some economists' expectations.[5]

UK inflation rises to 2.9% in July, the first increase since March 2026

Inflation increased to 2.9% in July.[6] This is up from 2.6% the previous month, the first time since March 2026 that the 12-month rate has increased, but in line with economists' predictions.[6]

The main drivers of the increase were housing and household services, particularly gas and electricity, and furniture.[6]

Core inflation was unchanged again at 2.6%. Services inflation eased to 3.4% in July, down from 3.6% in June.[6]

Inflation forecast[7]

The latest inflation projections from the BoE were published on 30th July 2026.[8] These include a central projection as well as two alternative scenario projections, milder and adverse, which estimate how the outlook might differ given the current context of uncertainty with regard to global energy prices and second-round effects.

According to the central projection, higher energy prices are expected to push inflation up in the near term, with the rate projected to rise to around 3.2% in Q4 2026. It is then expected to decline, reaching 2.6% in Q3 2027, before falling below the 2% target during 2028 and stabilising around 1.9% from Q4 2028. In summary, while higher energy prices are expected to increase inflation in the near term, the Bank expects the rate will return to around the 2% target in 2028.

BoE – Central Inflation Projection (%)

[1] RBS. Growth Tracker (August 2026).
[2] S&P. Global Flash UK PMI (August 2026).
[3] Scottish Government. Scottish Consumer Sentiment Indicator: Monthly data (Aug 2026).
[4] S&P. Global UK Consumer Sentiment Index (August 2026).
[5] GfK. Headline score up three points to -14 in August (August 2026); FT. UK consumer confidence rises to highest level for two years (August 2026).
[6] ONS. CPI, UK: July 2026 (August 2026); FT. UK inflation accelerates to 2.9% in July amid Middle East energy shock (August 2026).
[7] BoE. Monetary Policy Report (July 2026).

Economy, People and Skills

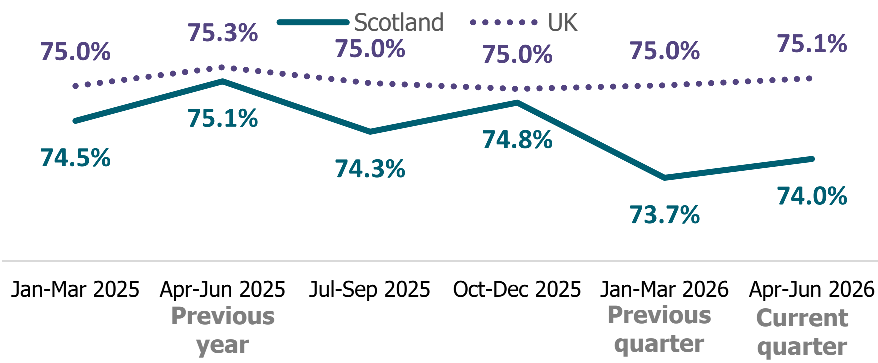
The ONS published revised LFS estimates from 2011 for the UK (except for youth unemployment, which is from 2019) and from 2019 for Scotland in December 2024. The revised data incorporates new population estimates, including the Scottish 2022 Census, helping to make LFS estimates more representative.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

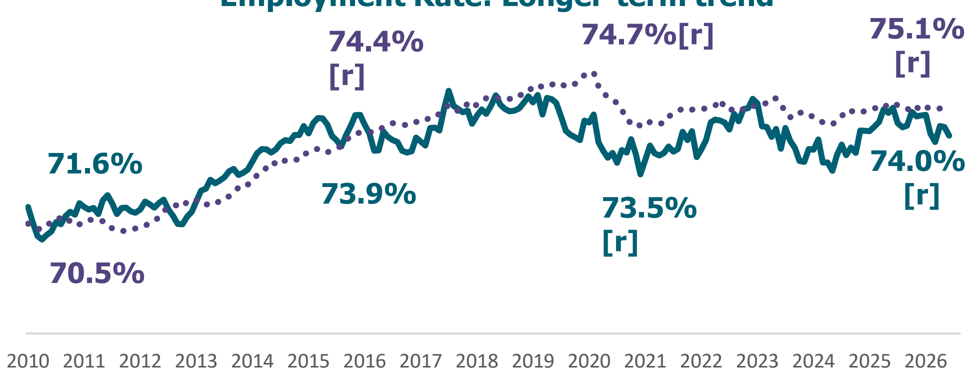
Scotland's employment rate was estimated to be 74.0%

- The latest data suggests Scotland's employment rate was **74.0%** in the period covering April to June 2026. The rate increased compared with the previous quarter (0.2 pp increase).*

Employment Rate



Employment Rate: Longer-term trend

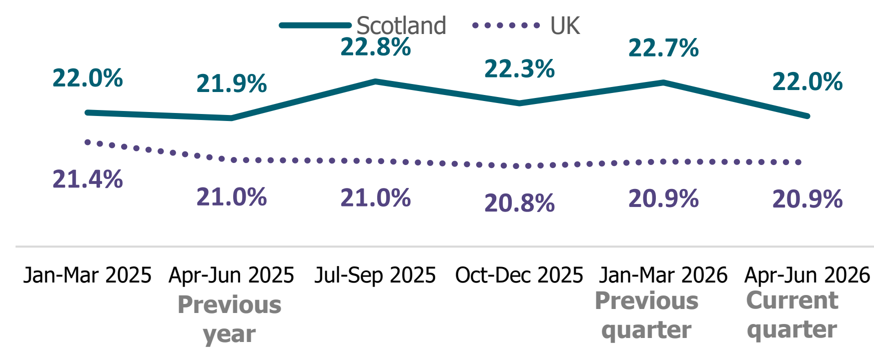


Economic Inactivity (16-64)[1]

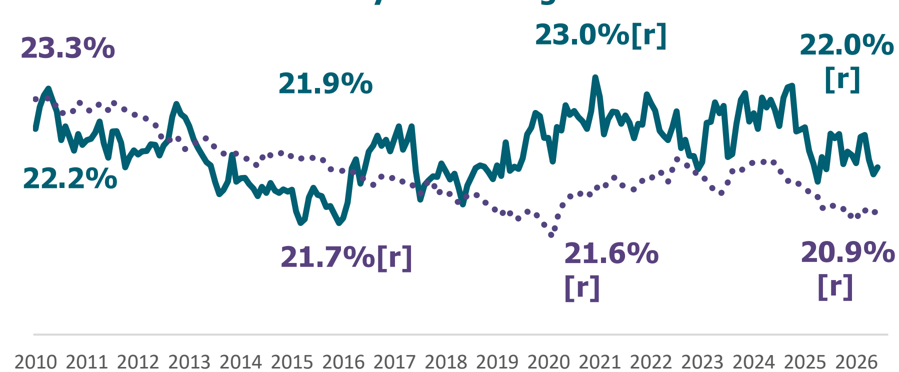
The 16-64 Scottish economic inactivity rate was estimated to be 22.0%

- The latest data suggests that Scotland's economic inactivity rate was **22.0%** in April to June 2026. The economic inactivity rate decreased compared with the previous quarter (0.7 pp decrease).*

Economic Inactivity Rate



Economic Inactivity Rate: Longer-term trend



[1] ONS. Labour Force Survey (18th August 2026).

*Figures may not sum due to rounding.

Economy, People and Skills

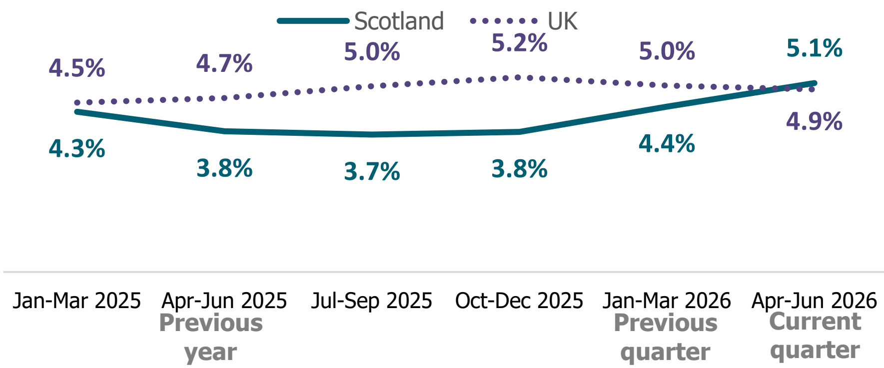
The ONS published revised LFS estimates from 2011 for the UK (except for youth unemployment, which is from 2019) and from 2019 for Scotland in December 2024. The revised data incorporates new population estimates, including the Scottish 2022 Census, helping to make LFS estimates more representative.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

Unemployment (16+)[1]

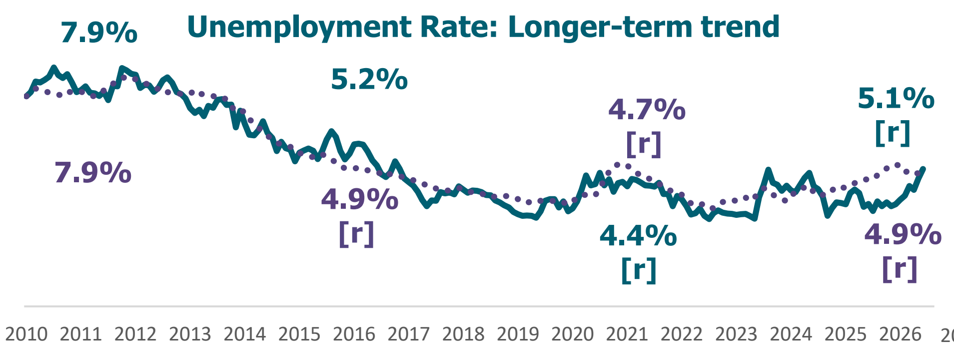
Unemployment in Scotland was estimated to be 5.1%

- The latest data suggests Scotland's unemployment rate was **5.1%** in the period covering April to June 2026. This is an increase of 0.6 pp compared with the last quarter.*

Unemployment Rate



Unemployment Rate: Longer-term trend

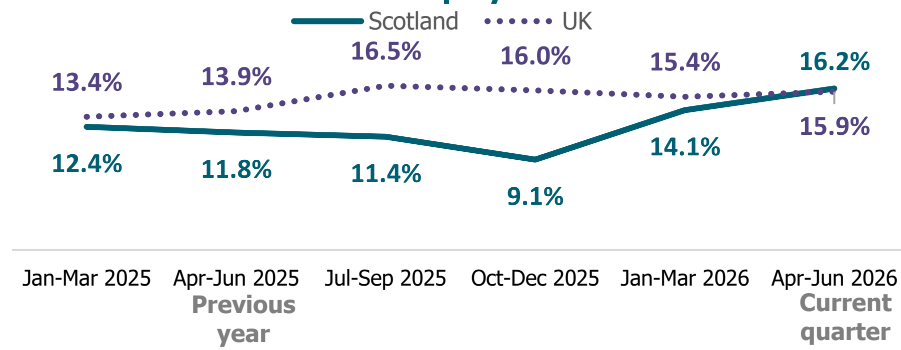


Youth Unemployment (16-24)[1,2]

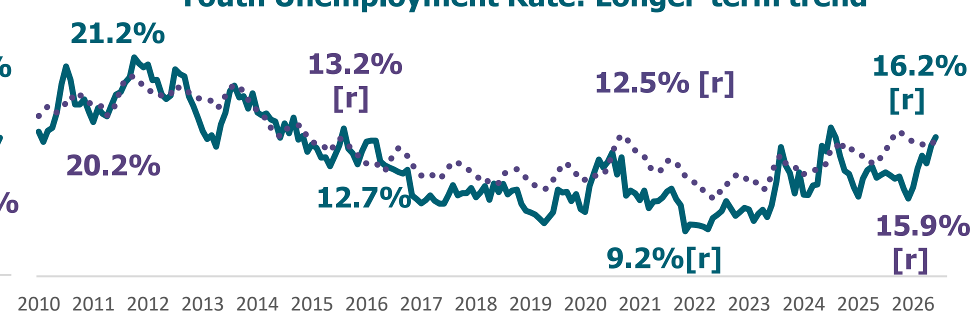
16-24 youth unemployment in Scotland was estimated to be 16.2%

- The latest data estimates that Scotland's youth unemployment rate was **16.2%** in the period covering April to June 2026.** This is higher than the same period the previous year (4.4 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



Youth Unemployment Rate: Longer-term trend



[1] ONS. Labour Force Survey (18th August 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 youth unemployment estimates for Scotland). Please find analysis of the Scottish youth labour market using APS data here.

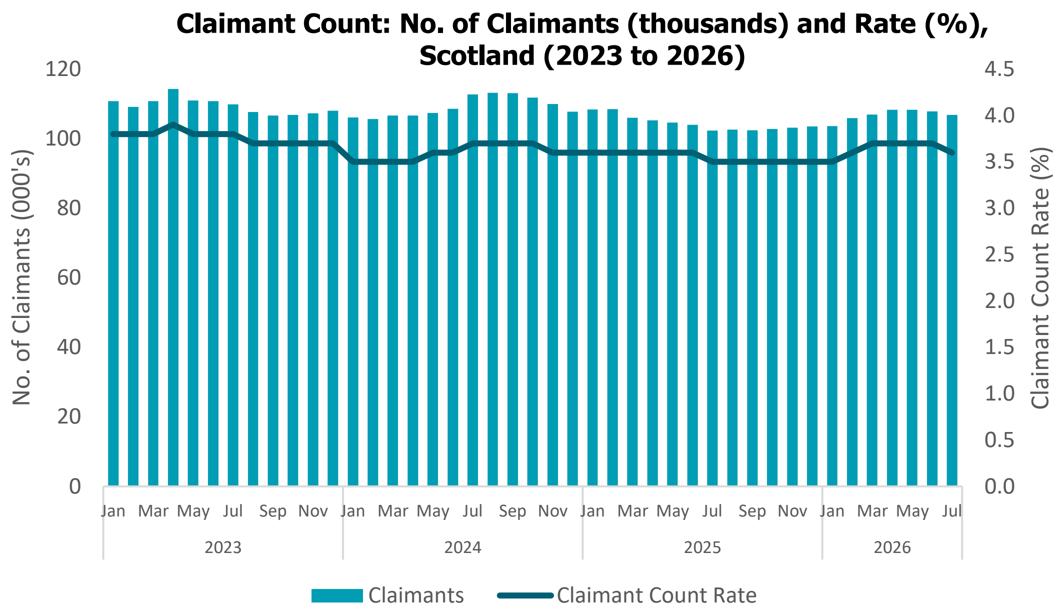
Universal Credit[1] and Claimant Count Rate[2]

697,300 **people claiming Universal Credit in Scotland in May 2026**

Between April and May 2026, 3,300 additional people in Scotland claimed Universal Credit, an increase of 0.5%.[1] This represents an increase of 68,300 (or 10.9%) with respect to May 2025.

3.6% **Claimant Count rate in Scotland in July 2026 (106,800 claimants)**

Between June and July 2026, the Claimant Count decreased by 1,000 and the Claimant Count rate decreased 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.



Redundancies[3] and Company Insolvencies[4]

13,000* **Redundancies in the three months to June 2026 in Scotland**

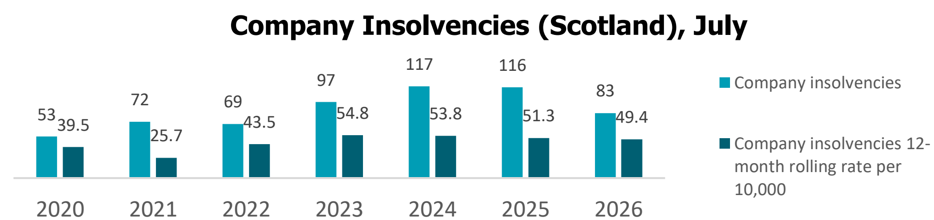
5.7* **Redundancies per 1,000 people (3.6 in the UK)**

The number of people who were made redundant in Scotland increased by 6,800* in the three months to June 2026 compared with the three months to June 2025.

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

83 **Company insolvencies in Scotland, July 2026**

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



[1] Department for Work and Pensions (August 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 (August 2026). Experimental statistics. July data is provisional.

[3] ONS. Labour Force Survey (18th August 2026).

[4] The Insolvency Service. Monthly Insolvency Statistics, July 2026 (August 2026).

Job Postings in Scotland[1,2]

Provisional data for July suggests that online job postings in Scotland decreased compared with June, falling to 49,700. Postings decreased by 12.7% or 7,300 compared with June 2026, but increased by 27.4% or 10,700 postings compared with July 2025. The three-month rolling average job postings measure increased 0.9% in the period May-July 2026 compared with April-June. Temporary roles made up 16.2% of job postings in Scotland in July, decreasing by 0.8 pp compared to June 2026 and rising by 3.9 pp compared with July 2025.

The highest demand in July was for occupations such as:

- Cleaners and Domestics;
- Care Workers and Home Carers;
- Sales Related Occupations n.e.c.;
- Kitchen and Catering Assistants; and
- Managers and Directors in Retail and Wholesale.

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

The following occupations had the largest change in job postings in July compared with June:

Increase:

- Customer Service Occupations n.e.c. (+100);
- Other Registered Nursing Professionals (+100); and
- Social Workers (+100).

Decrease:

- Chefs (-500);
- Sales and Retail Assistants (-400); and
- Sales Related Occupations n.e.c. (-400).

The skills in highest demand in July were:

Common skills

- Communication;
- Management; and
- Customer Service.

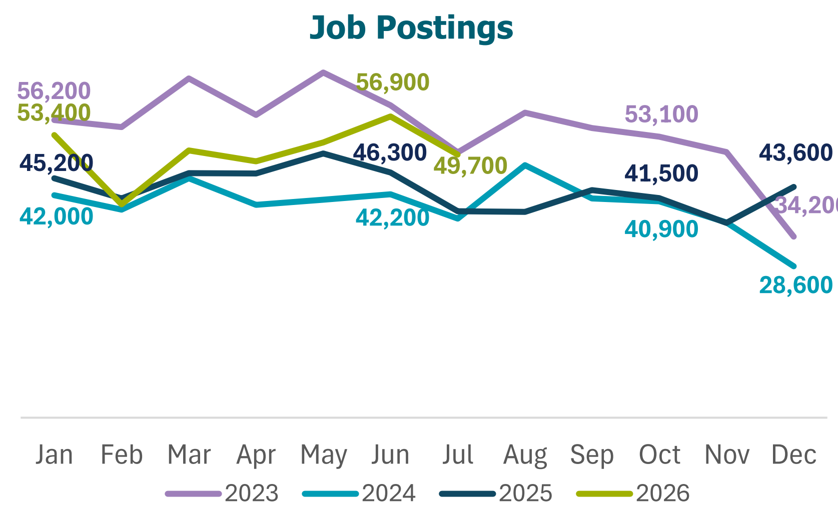
Specialised skills

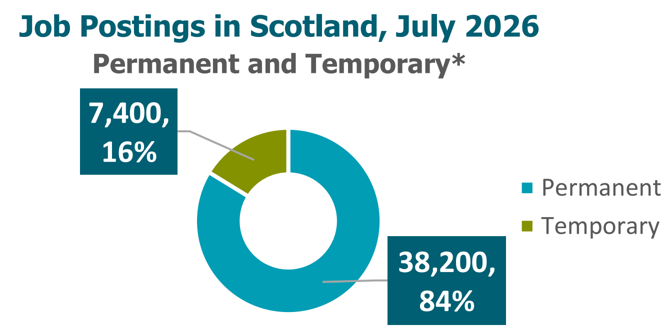
- Continuous Improvement Process;
- Auditing; and
- Project Management.

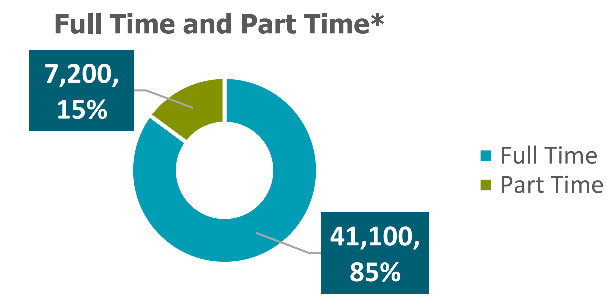
Public and private sector postings in July:

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

[1] Lightcast (August 2026). 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.

LMI resources

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

New updates were 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.

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