

Economy, People and Skills

July 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.



Inflation has remained at the 2% target for a second month in a row, while labour market data indicates continued cooling. The election of a Labour government at the UK election for the first time in fourteen years has also signalled a significant change in the political sphere.

Employment rate falls as the labour market eases

Labour Force Survey (LFS) data from the Office for National Statistics (ONS) continues to indicate a cooling trend, with Scotland's unemployment rate rising by 0.8 pp to 4.9% in March to May 2024. Economic inactivity also increased (0.6 pp), while Scotland's employment rate fell by 1.3 pp to 72.9%.

UK data shows a similar trend of increasing unemployment and falling employment, although there was a slight decrease in economic inactivity. Changes to the UK data were also less volatile with unemployment increasing by 0.2 pp and employment reducing by 0.1 pp. This may reflect ongoing challenges with the LFS response rate, which impact sub-UK data to a greater extent. The ONS continues to advise that LFS data is used with caution and in conjunction with other sources.

Online job postings continue to cool

Online job postings in Scotland continued their cooling trend in June, with month-on-month postings falling slightly compared with May (1% or 500 postings). However, there was a more substantive year on year fall, as postings decreased by almost one third (31% or 18,300 postings) compared to June 2023.

Inflation remains at 2% target, but certain elements remain elevated

UK inflation (CPI) held at 2.0% in June 2024,

unchanged from May. The headline rate remained at the Bank of England target, but other elements of inflation that impact rate setting decisions are still elevated. This includes services inflation (5.7%) which is also unchanged from last month. While slowing to 5.7% in March to May (down from 5.9% in the previous three-month period), total pay growth also remains resilient.

Business conditions appear to be improving, but there are still challenges

The outlook for Scottish businesses appears to be improving, although challenges remain. PMI data indicates private sector activity has grown for the sixth consecutive month. The latest Fraser of Allander (FoA) Business Monitor found more businesses reported decline than growth (negative net balance) across four out of six metrics. However, this still signalled a potentially improving picture as the proportion of businesses reporting growth increased across almost all metrics.

UK budget expected in Autumn, providing further detail on new policies

The election of a Labour government is a significant political change for the UK. The new government has emphasised its commitment to economic growth, increasing employment and promoting greater business investment. Further details are expected late Q2/early Q3, with a budget likely in the Autumn.

Economic outlook for Scotland continues to predict improved, but sluggish, growth

The FoA released new forecasts for Scotland at the end of June. These presented a very similar picture to their previous forecast from March, as well as those from the Scottish Fiscal Commission in December. Growth is predicted to remain sluggish, but is expected to improve from a flat (0.1% growth) 2023.

UK and Scotland Economy - Gross Domestic Product (GDP)

UK GDP

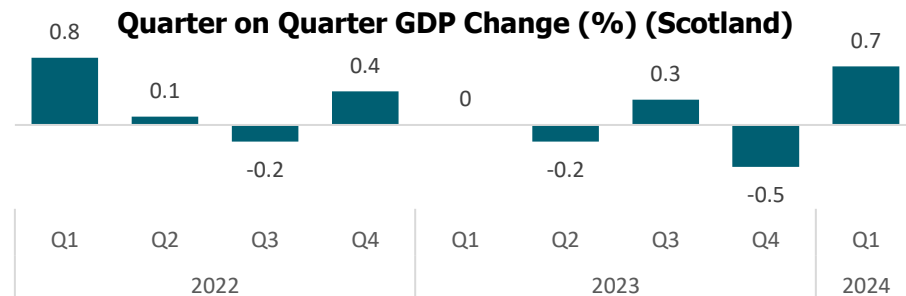
The latest estimates for UK GDP show that the UK exited recession at the beginning of the year with 0.7% growth in Q1 2024. The UK fell into a short recession at the end of 2023 due to contraction of 0.1% in Q3 and 0.3% in Q4.¹ Recession is defined as two consecutive quarters of contraction in GDP. Annual GDP figures for the UK, which cover the whole of 2023, estimate the UK economy was broadly flat (0.1% growth). Excluding COVID affected 2020, this is the lowest annual growth recorded since the 2009 financial crisis.²

The latest monthly UK data shows 0.4% growth in May, following no growth (0.0%) in April, and 0.4% growth in March.³

Scotland GDP

As with the UK, Scotland returned to growth in Q1 2024, with output increasing by 0.7%. This followed contraction of 0.5% in

Q4 2023, although unlike the UK Scotland did not enter recession as the economy grew by 0.3 in Q3 2023.⁴ As with the UK, GDP was broadly flat in 2023 with growth of just 0.1%.⁴ The latest monthly data for Scotland is for April 2024 which estimates the economy remained flat (0.0% change), following 0.5% growth in both March and February.⁵



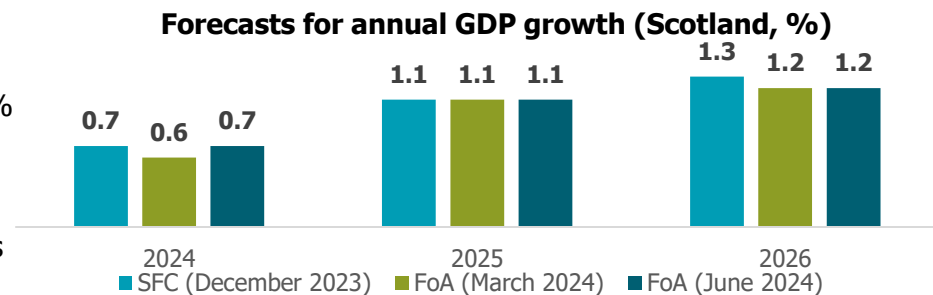
Economic Outlook

The latest forecasts for Scotland were released by the Fraser of Allander (FoA)⁶ at the end of June. Expectations for the Scottish economy remain similar to previous forecasts with growth expected to return in 2024 but remaining subdued.

FoA's June forecast predicts the Scottish economy will grow by 0.7% in 2024. While this would be a return to growth following a flat (0.1% growth) 2023, at just 0.7% this would remain muted. The forecasts expect growth to improve to 1.1% in 2025 and 1.2% in 2026, but this still remains below mean annual growth of 1.5% in the 2010s.

The outlook presented by the June forecast is very similar to FoA's previous forecast, released in March 2024⁷, and is also similar to

the Scottish Fiscal Commission's (SFC) December 2023 forecast.⁸ Compared with their March forecast, the FoA's most recent estimates for 2024 are slightly more positive. This reflects higher growth recorded in Q1 2024 (0.7% in both Scotland and the UK). However, despite this, the FOA predict that growth will remain suppressed over 2024 as a whole.



¹ ONS. [GDP quarterly national accounts, UK: January to March 2024](#) (June 2024).

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

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

⁴ Scottish Government. [GDP First Quarterly Estimate: 2024 Q1](#) (May 2024).

⁵ Scottish Government. [GDP Monthly Estimate: April 2024](#) (June 2024).

⁶ Fraser of Allander. [FAI Economic Commentary Q2 2024](#) (June 2024).

⁷ Fraser of Allander. [FAI Economic Commentary Q1 2024](#) (March 2024).

⁸ SFC. [Scotland's Economic and Fiscal Forecasts – December 2023](#) (December 2023).

Inflation and the Cost of Living



Signs of business optimism, but challenges remain

The Fraser of Allander's Q2 2024 Scottish Business Monitor¹ suggests there are **signs for optimism**.

The **net balance of businesses reporting growth improved across almost all metrics**. In particular, the net balance reporting increasing sales and turnover returned to positive territory, meaning more businesses are seeing growth than decline.

However, despite improving from Q1, the **net balance remains negative** (more businesses reported decline than growth) **across four out of six metrics**, including volume of new activity.



Scottish consumer sentiment positive for the first time since 2022

The Scottish Consumer Sentiment Indicator turned positive in May 2024 for the **first time since February 2022**.² This was driven by an **improvement (+11.4) in perceptions of how the Scottish economy is performing** now compared with 12 months ago.

There have been improvements across all sub-indicators. However, despite improving, sub-indicators for **current household spending** (-8.0) and **current household finances** (-4.2) **remained negative**. This means more respondents felt their situation had worsened compared with last year.



Inflation remains at 2% target

Inflation (CPI) remained at 2.0% in June 2024, unchanged from May. Looking at particular items, hotels and restaurants made the biggest upward contribution, while clothing and footwear prices fell from May.³

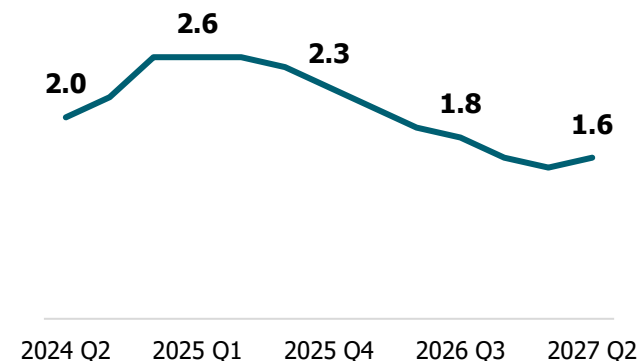
While the headline rate has remained at the Bank of England (BoE) target, **other elements of inflation that impact rate setting decisions are still elevated**. This includes **services** (5.7%) and **core** (3.5%) inflation, which are unchanged from last month.

Inflation forecast

UK inflation forecasts were last released by the BoE in May.⁴ These predicted that the CPI rate (inflation) would 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, Q2 2024](#) (June 2024).

² Scottish Government. [Consumer Sentiment Monthly Data: May 2024](#) (June 2024).

³ ONS. [CPI, UK: June 2024](#) (July 2024).

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

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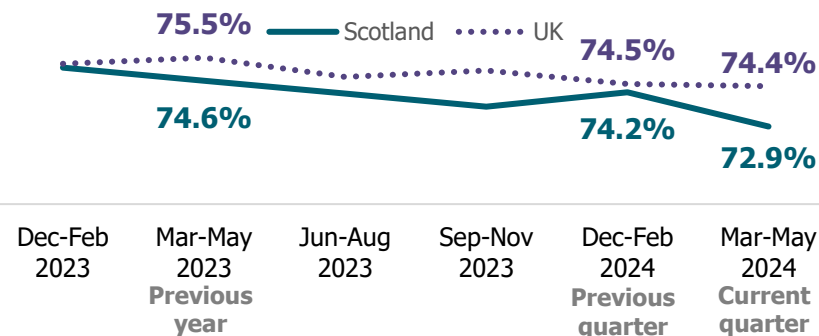
The LFS returned in February, and the ONS have published new, reweighted estimates from 2011 for the UK and from 2022 for Scotland. This reweighting incorporates UK population changes, helping to make LFS estimates more representative. Reweighted and non-reweighted data is not comparable and therefore 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

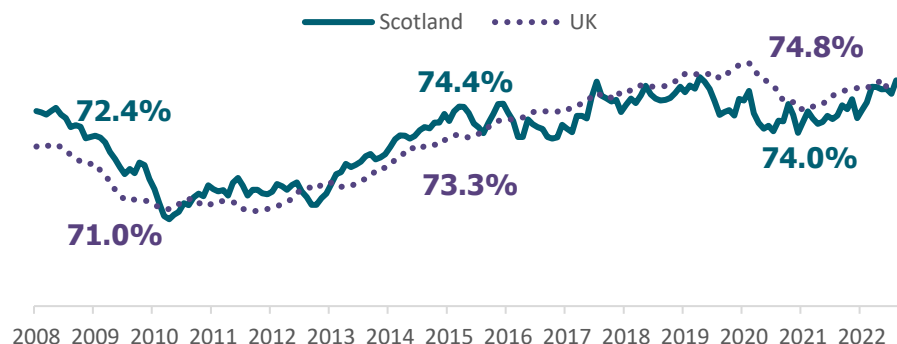
➤ **Scotland's employment rate was estimated to be 72.9%**

- The latest data suggests Scotland's employment rate was **72.9%** in the period covering March to May 2024. Employment is estimated to have decreased by 1.3 pp compared with the previous quarter.*

Employment Rate: 2022 onwards (re-weighted figures)



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

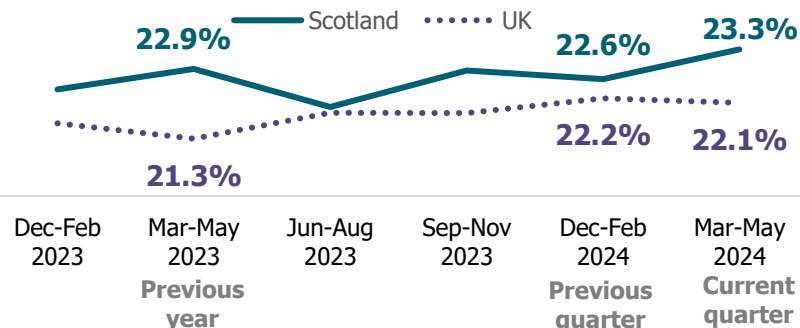


Economic Inactivity (16-64)¹

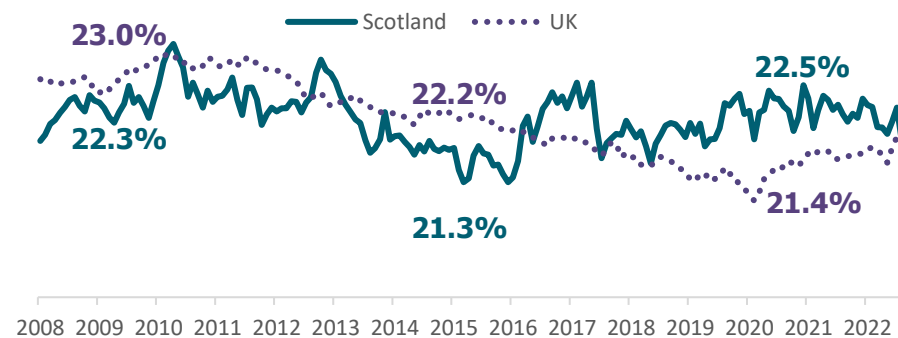
➤ **The 16-64 Scottish economic inactivity rate was estimated to be 23.3%**

- The latest data suggests that Scotland's economic inactivity rate was **23.3%** in March to May 2024. The economic inactivity rate was 0.6 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 (18th July 2024).

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

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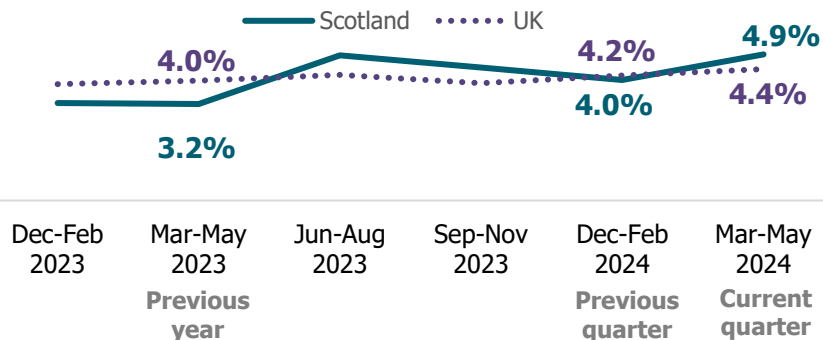
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Unemployment (16+)¹

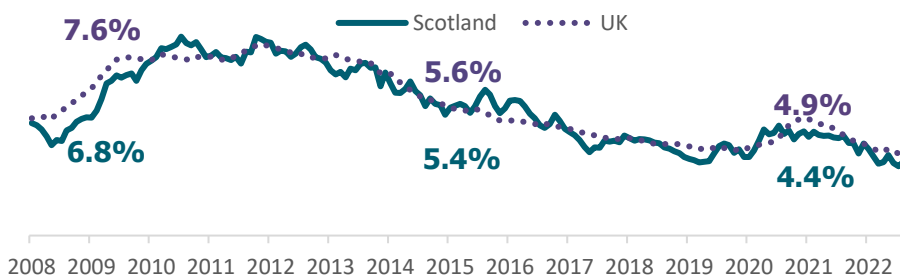
➤ **Unemployment in Scotland was estimated to be 4.9%**

- The latest data suggests Scotland's unemployment rate was **4.9%** in the period covering March to May 2024. This is an increase compared with the last quarter (0.8 pp increase).*

Unemployment Rate: 2022 onwards (re-weighted figures)



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

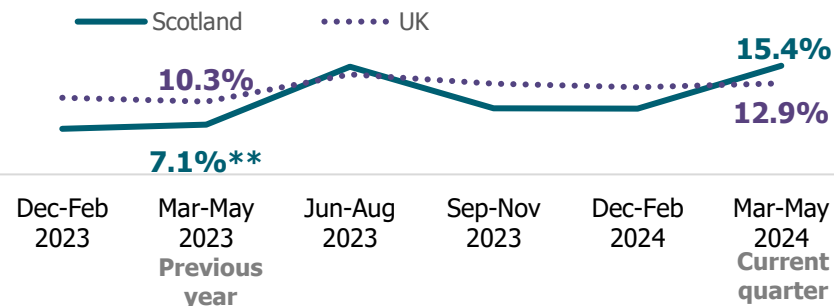


Youth Unemployment (16-24)^{1,2}

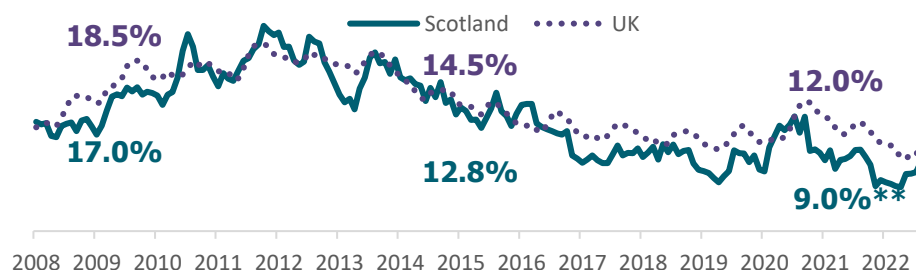
➤ **16-24 youth unemployment in Scotland was estimated to be 15.4%**

- The latest data estimates Scotland's youth unemployment rate was **15.4%** in the period covering March to May 2024. This is higher than the same period of the previous year (8.4 pp increase), but it is important to note that the data from the previous year is based on a small sample size.**

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 (18th July 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

556,700

people claiming Universal Credit in Scotland in June 2024

Between May and June 2024, 9,700 additional people in Scotland claimed Universal Credit, an increase of 1.8%. 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%.

3.8%

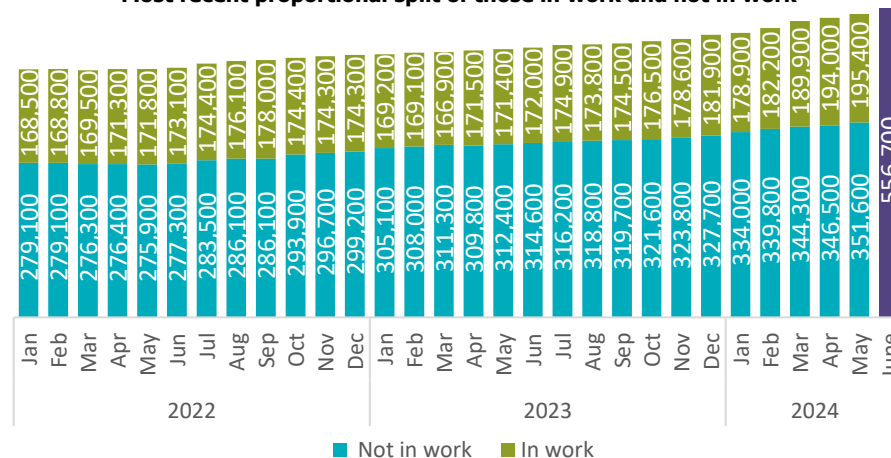
Claimant Count rate in Scotland in June 2024

Between May and June 2024, the Claimant Count rate in Scotland increased by less than 0.1 pp to 3.8%. 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

8,000*

Redundancies in the three months to May 2024 in Scotland

3.3*

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

The number of people who were made redundant in Scotland increased in the three months to May 2024 (*1,000 people or *12.5%) compared to the three months to May 2023.

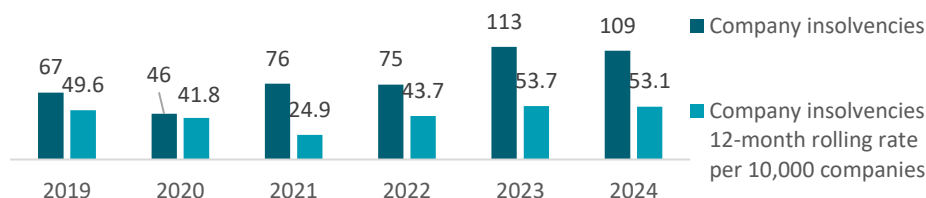
*However, please note estimates are based on a small sample and should be used with caution.

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Company insolvencies in Scotland, June 2024

Following a reduction during the pandemic, company insolvencies have since increased and are higher than pre-pandemic levels. This can be seen in monthly data showing that the number of insolvencies in June 2024 was greater than June 2019, as is the rolling 12-month rate per 10,000 companies.

Company Insolvencies (Scotland), June



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

² ONS. Claimant Count (July 2024). *Experimental statistics*. June data is provisional.

³ ONS. Labour Force Survey (18th July 2024).

⁴ The Insolvency Service. [Monthly Insolvency Statistics, June 2024](#) (July 2024).

Job Postings in Scotland^{1,2}

At 40,700, online job postings in June decreased slightly compared with the previous month, but were substantially lower compared to the previous year.

There was a slight fall in online job postings in June compared with May, by 1% or 500 postings, and the three-month-rolling average also similarly decreased (by 4% for April to June compared with March to May). The year-on-year trend shows more pronounced cooling as postings fell by nearly one third (31%) or 18,300 postings compared with June 2023.

The highest demand in June was for occupations such as:

- Sales Related Occupations;
- Cleaners and Domestic;
- Care Workers and Home Carers;
- Managers and Directors in Retail and Wholesale; and
- Sales and Retail Assistants.

The occupations in highest demand remain similar to last month.

The following occupations had the largest change in job postings in June compared to May:

Increase:

- Chefs (+200);
- Roundspersons and Van Salespersons (+100); and
- Large Goods Vehicle Drivers (+100).

Decrease:

- Secondary Education Teaching Professionals (-100);
- Other Registered Nursing Professionals (-100); and
- Customer Service Occupations (-100).

The skills in highest demand in June were:

Common skills

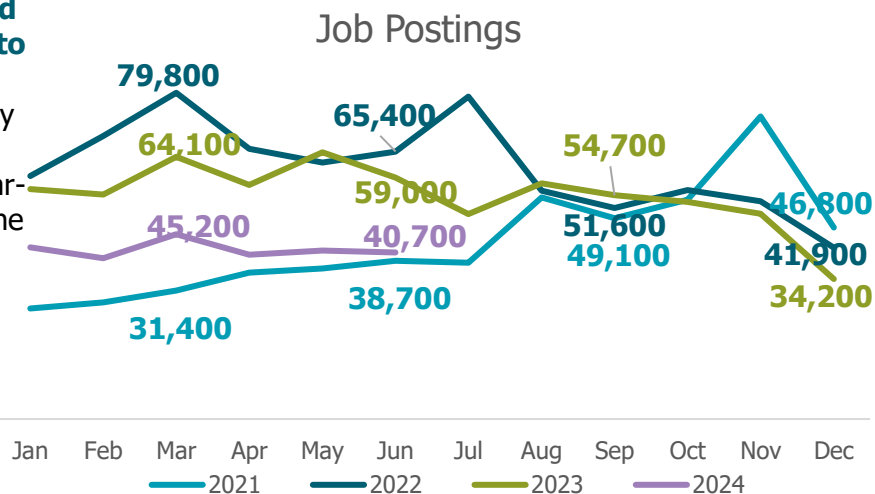
- Communication;
- Customer Service; and
- Management.

Specialised skills

- Project Management;
- Finance; and
- Auditing.

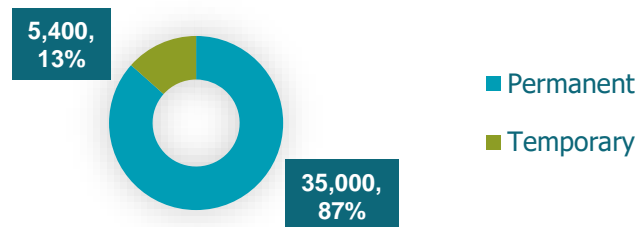
Public and private sector postings in June:

- In June, the top 10 organisations with the most job postings were evenly split between private and public sector organisations.

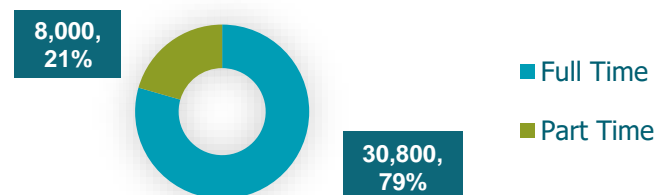


Job Postings in Scotland, June 2024

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 (July 2024). Lightcast gathers insights from online job postings. Please note June 2024 job postings are provisional.

² Numbers rounded to the nearest 100.

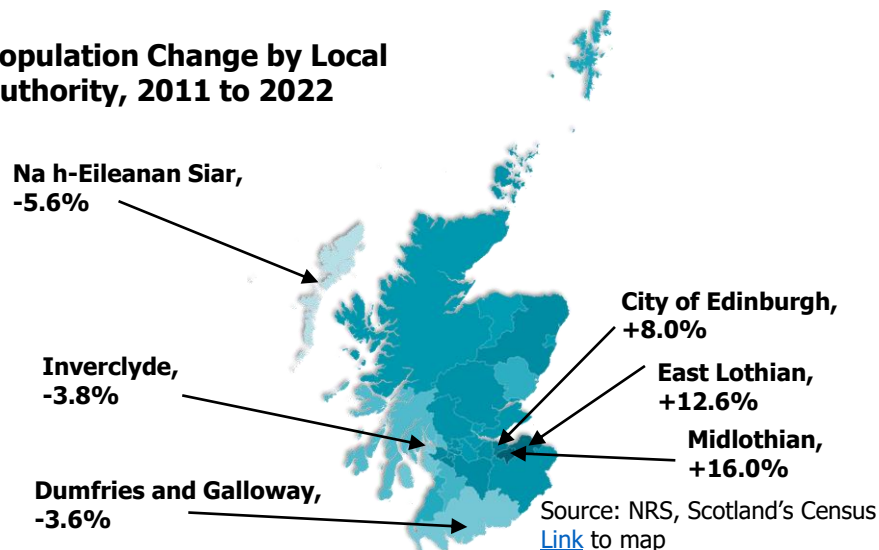
Spotlight: Scotland's Census¹

The first release of Scotland's 2022 Census data in September last year highlighted that while the population has grown to its largest ever, the growth rate (2.7%) was far lower than from 2001 to 2011 (4.6%). The data also highlighted Scotland's ageing population. Such population changes have important implications for labour supply, and more detailed data released in May provides further insight.

While the rate of growth slowed, Scotland's population increased from 2011 to 2022, particularly in and around Edinburgh

The latest unrounded data published shows that across Scotland's 32 local authorities, population change from 2011 to 2022 ranged from a 5.6% decline in Na h-Eileanan Siar to a 16.0% increase in Midlothian. The three local authorities with the highest rates of growth are all in and around Edinburgh, with Midlothian (16.0%) showing the highest growth, followed by East Lothian (12.6%) and City of Edinburgh (8.0%). Most (eight out of ten local authorities) that saw population decline were in West or North-West Scotland.

Population Change by Local Authority, 2011 to 2022



Scotland's population is ageing, with over 65s outnumbering under 16s

In 2022 there were 1,090,600 people aged 65+ living in Scotland, compared with 891,200 people aged under 16. This is the first time the number of people aged 65+ has been greater than the number under 16. While the number of people aged 65+ increased by 22.5% from 2011 to 2022 the number of people aged under 16 fell by 2.7%. This indicates potential future challenges. As the number of people over retirement age increases and the number of people in work falls, this could lead to greater pressure on services such as health and social care, whilst at the same time tax receipts could reduce.

Ageing populations are particularly pronounced in rural areas

Scotland's population is ageing across the country, but it is particularly pronounced in rural areas. In eight out of the 15 local authorities classified as mainly rural/remote rural, over 65s account for a quarter of the population. The proportion of the population aged 65+ is also above the national average (20.0%) in all mainly rural/remote rural local authorities. Conversely, Scotland's three largest cities (Aberdeen, Edinburgh and Glasgow) have the lowest proportions of their populations aged 65+.

Slowing population growth and an ageing population may have implications for labour supply

As population growth slows, and the population ages, this has potential implications for labour supply. Whilst there was growth in Scotland's total population between 2011 and 2022, this was driven by a greater number of older people, meaning that the working age (16-64) population slightly (1%) declined. This trend is expected to continue, with the 16-64 population predicted to fall by 3% from 2020 to mid-2045.² This is important given that Scotland has already faced recent challenges with labour supply. Following the pandemic there has been a well-documented increase in economic inactivity, which has been part of a wider picture of challenges for businesses in securing the labour they need, creating a tight labour market.

¹ Unless otherwise specified, all data used in this article is from Scotland's Census as published by National Records of Scotland [here](#).

² ONS. [2020-based interim national population projections: year ending June 2022 estimated international migration variant](#) (January 2023).

Spotlight: Scotland's Census

While the labour market has since begun to loosen, a declining working population could further extend this challenge, making it more persistent into the future.

Migration has prevented population decline in Scotland, with record migration recorded in 2021/22

With a falling fertility rate, natural change (births minus deaths) would have seen Scotland's population decline from 2011 to 2022. This is illustrated by the fact that the number of people living in Scotland who were born in Scotland declined by 90,400 between 2011 and 2022.

Population growth was therefore based on inward migration to Scotland – between 2011 and 2022 the number of people living in Scotland who were born elsewhere in the UK increased by 49,200 whilst the number of people who were born outside the UK increased by 185,600.

The latest migration flow data from the National Records of Scotland estimates that net migration in the year to 30th June 2022 was substantially higher than in any other year in the preceding decade, thought to be mainly due to an increase in international students coming to Scottish universities.³

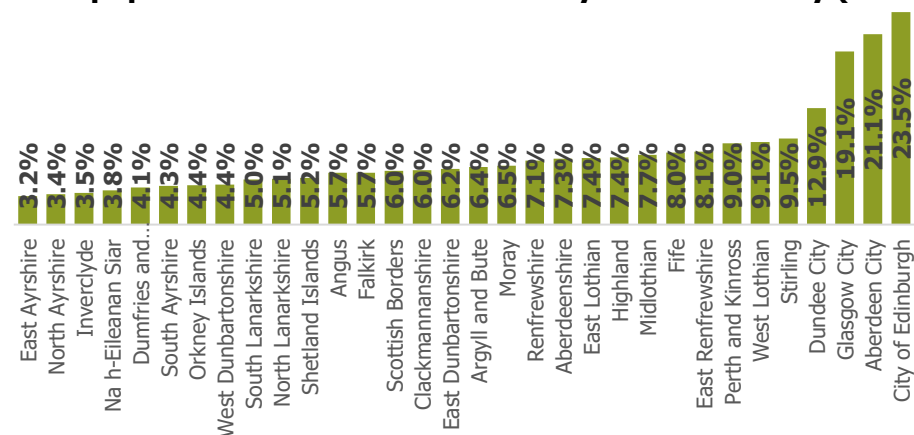
Migration has boosted Scotland's young adult population

As well as preventing population decline, migration also meant that there were more young adults in Scotland than there would otherwise have been. Scotland's population is still ageing, but this would be at a greater pace without migration as people living in Scotland who were born elsewhere (particularly those born outside the UK) tend to be younger. Nearly one in five (17.8%) 20 to 39 year olds living in Scotland were born outside the UK, compared with one in ten (10.2%) of the overall population.

Migration from outside the UK is mainly to Scotland's cities

Census data indicates that migration from outside the UK tends to be to Scotland's largest cities. Edinburgh (23.5%), Aberdeen (21.1%) and Glasgow (19.1%) have by far the highest proportions of their populations that were born outside the UK. As mentioned, Scotland's three largest cities also have a lower proportion of their population aged 65+, likely partly reflecting the trend of migration from outside the UK increasing the young adult population.

% of population born outside the UK by Local Authority (2022)



Demographic changes may create challenges for Scotland's labour market

Overall, the Census data points to two clear national trends that could create challenges for Scotland's labour market: slowing population growth, and an ageing population, which have the potential to impact labour supply and increase the dependency ratio. The data further suggests that migration is currently playing a role in softening these trends, with migration from outside the UK particularly important for Scotland's three largest cities. Looking ahead, if patterns of migration were to change, and natural change remains negative, challenges could be further exacerbated.

³ NRS. [Migration Flows](#) (July 2024).

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:

rsa@sds.co.uk