

Economy, People and Skills

March 2025



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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 economy continues to face challenges in early 2025 as economic growth shows ongoing signs of a slowdown. Inflation has dipped slightly but the overall trend of increase is expected to continue in the coming months. Reflecting the weaker economic outlook, the UK government announced spending cuts in the Spring Statement.

Labour market data continues to suggest relative stability for Scotland

Similar to last month, labour market data for Scotland suggests a fairly stable picture. Despite a slight increase in the number of claimants, the claimant count rate remained at 3.8%. Labour Force Survey (LFS) unemployment data was also broadly stable, as the unemployment rate increased by just 0.1 pp on the previous quarter, rising to 3.7%. PAYE employee data was broadly similar to the previous month as well, with a marginal decline (-0.1% or 2,500 employees) compared with the previous year. This did show some divergence with the LFS, which remains declassified from official statistics, and indicated a 0.9 pp increase in the employment rate from the previous quarter.

Online job postings decreased compared with the previous month

Provisional data suggests online job postings in Scotland in February were slightly higher than the same time last year (+6% or 2,200 postings), but down 6% or 2,500 postings from January. Purchasing Managers' Index (PMI) data indicated that employment in Scotland's private sector contracted in February for the third month in a row.

Inflation dips slightly this month but overall trend of increase expected to continue

The latest inflation data showed that CPI fell to 2.8% in February, down from 3.0% in January. Despite this dip, the overall trend of increase is expected to continue towards a

peak around Q3 2025. UK pay growth remains strong as wages excluding bonuses increased by 5.9% over the three months to January, the same as last month.

Rural businesses report a fall in confidence and GDP data continues to indicate a slowdown

Following on from quarterly data indicating just 0.1% growth for the UK and no change (0.0%) for Scotland in Q4 2024, new monthly GDP data for January showed slight contraction (0.1%) for the UK. There was some GDP growth for Scotland in January (0.3%), but PMI data shows three months of contracting business activity from December to February. In addition, despite some signs of improving business confidence in PMI data, ongoing challenges remain. For example, business panel surveys from Highlands and Islands Enterprise (HIE) and South of Scotland Enterprise (SOSE) indicated falling confidence.

As the immediate outlook for the economy worsens, UK government announces spending cuts

The Chancellor delivered the Spring Statement for the UK at the end of March. It included spending cuts as the Office for Budget Responsibility (OBR) reduced their expectations for the economy in 2025, which, mainly due to rising debt servicing costs, meant that previous spending plans were no longer in line with the Chancellor's fiscal rules. Changes to spending include cuts to day-to-day departmental spending later in the parliamentary term and welfare cuts.

Most plans for welfare changes had already been announced, but some additions were made at the Spring Statement. Key areas of change include narrowing eligibility for the Personal Independence Payment (PIP) and nearly halving health-related payments for new Universal Credit claimants. Universal Credit changes will impact Scottish claimants, while changes to PIP will reduce the Scottish Government's block grant adjustment as PIP is devolved and being replaced by the Adult Disability Payment.

UK and Scotland Economy - Gross Domestic Product (GDP)

UK GDP

The latest data for the UK economy suggests a slowdown from early 2024. Whilst GDP did grow slightly (0.1%) in Q4 2024, following no growth (0.0%) in Q3, this was down from 0.4% growth in Q2 and 0.8% in Q1.¹ The slight increase in GDP in Q4 was unexpected, and driven by a stronger performance in December.² However, data suggests the slowdown of the UK economy is continuing in early 2025.² Monthly figures show that the UK economy contracted slightly (0.1%) in January. This followed 0.4% growth in December.³

The first estimate for annual growth suggests that the UK economy grew by 0.9% in 2024, up from 0.4% in 2023, but this is still relatively low growth, reflecting the slowdown in the second half of the year.^{1,2}

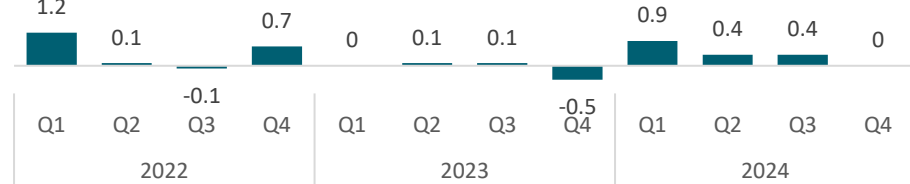
Scotland GDP

Like the UK, quarterly GDP growth in Scotland has slowed over 2024,

although the slowdown intensified at a slightly later point in Scotland (Q4 rather than Q3). GDP was unchanged in Q4 (0.0%), following 0.4% growth in both Q3 and Q2, down from 0.9% in Q1.⁴ Monthly figures show that Scottish GDP grew by 0.3% in January, following revised growth of 0.5% in December.⁵

The first estimate for annual growth suggests the Scottish economy grew by 1.1% in 2024, up from 0.5% in 2023. Whilst an improvement on 2023, the annual growth almost exclusively occurred in Q1 rather than consistent growth across the year.⁴

Quarter on Quarter GDP Change (%) (Scotland)



Economic Outlook

New forecasts for the UK economy were released by the Office for Budget Responsibility⁶ (OBR) alongside the Chancellor's Spring Statement at the end of March. Similar to the Bank of England⁷ (BoE), the OBR have halved their growth prediction for 2025, but expect higher levels of growth in later years.

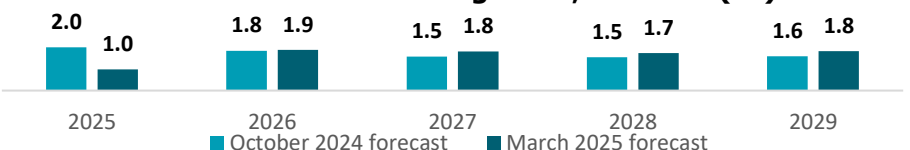
The OBR's latest forecast has halved the UK GDP growth prediction to 1%, down from 2% in their October forecast. However, the OBR's predictions for later years are slightly more positive than they were in October. Whilst the OBR predictions for growth are a little higher, the changes in the outlook are very similar to those seen between the BoE's November and February forecasts.

The OBR report that around one-third of the downgrading of the 2025 forecast reflects structural weakness, particularly in

productivity, with the other two-thirds due to temporary factors such as higher interest rates, rising gas prices and greater uncertainty.

As noted in more detail on the following page, the OBR is also predicting a similar temporary rise in inflation to the BoE. Both forecasters are predicting that CPI will rise to a peak of 3.7% in Q3 2025. One difference between the two forecasters is that the OBR are predicting that unemployment will peak earlier and at a lower level (at 4.5% in 2025, compared with 4.8% in 2027 for the BoE).

Forecasts for annual GDP growth, OBR: UK (%)



⁴ Scottish Government. [GDP First Quarterly Estimate: 2024 Q4](#) (February 2025).

⁵ Scottish Government. [GDP Monthly Estimate: January 2025](#) (March 2025).

⁶ OBR. [Economic and fiscal outlook – March 2025](#) (March 2025).

⁷ BoE. [Monetary Policy Report - February 2025](#) (February 2025).

¹ ONS. [GDP first quarterly estimate, UK: October to December 2024](#) (February 2025).

² FT. [UK economy unexpectedly grew by 0.1% in fourth quarter](#) (February 2025).

³ ONS. [GDP monthly estimate, UK: January 2025](#) (March 2025).

Inflation and the Cost of Living



Confidence falls amongst rural businesses

The latest business panels for Highlands and Islands Enterprise (HIE)¹ and South of Scotland Enterprise (SOSE)² found falling economic confidence. The proportion of businesses reporting that they are **confident in Scotland's economic outlook fell to its lowest level since October/November 2022 for both regions.**

As may be expected, the research suggested that levels of confidence in the economic outlook were related to recent business performance. By sector, Construction businesses were more likely to be confident, and those in Food and Drink were less confident.



Public sentiment remains pessimistic over economic conditions

The latest Understanding Scotland tracker survey (February 2025)³ found that **around two-thirds of respondents (62%) believe general economic conditions in Scotland have worsened in the past 12 months** and a similar proportion (64%) expect economic conditions to worsen over the next 12 months.

These results are very similar to findings from the previous quarter (November 2024), but **represent a considerable decrease compared with August 2024** when just over half (54%) of respondents reported that economic conditions had worsened in the past 12 months.



Inflation falls slightly but trend of increase expected to continue

Inflation (CPI) in the UK fell to 2.8% in February 2025, down from 3.0% in January.⁴ Whilst a dip in February was expected, the fall was slightly greater than that predicted by the Reuters' poll of economists, which forecast a fall to 2.9%.⁵

The main driver of the fall was clothing prices.⁴ Whilst headline inflation fell, **services inflation, a key measure of domestic inflation, held at 5.0%.**

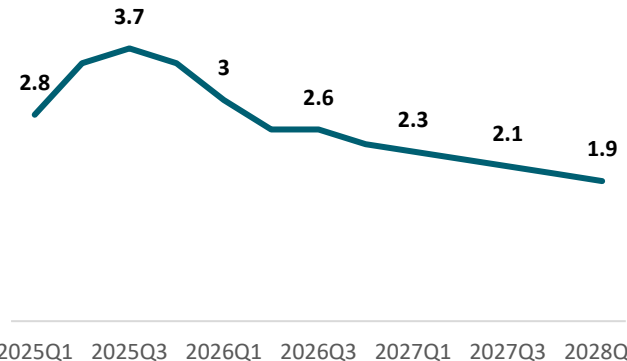
Looking ahead, despite a dip this month, the **trend of increasing inflation is expected to continue** towards a peak around Q3 2025.⁵

Inflation forecast

UK inflation forecasts were released by the Bank of England (BoE) in February⁶ and the Office for Budget Responsibility (OBR) in March.⁷ As with their previous forecasts, the BoE predict inflation will temporarily increase, before then returning to target. However, inflation is now expected to increase at a sharper rate, rising to 3.7% in Q3 2025, compared with 2.8% in their November forecast. Inflation is expected to return to the 2% target in Q4 2027, slightly later than previously predicted (Q2 2027).

The forecasts released by the OBR⁷ suggest a similar position to the BoE, with CPI also predicted to peak at 3.7% in Q3 2025. However, the OBR do predict a quicker return to the 2% target (Q2 2026).

BoE – Modal CPI Inflation Projection (%)



2025Q1 2025Q3 2026Q1 2026Q3 2027Q1 2027Q3 2028Q1

¹ HIE. [HIE Business Panel Survey 2025](#) (March 2025).

² SOSE. [Business Panel Survey Results – March 2025](#) (March 2025).

³ Diffley Partnership. [Understanding Scotland: Economy Tracker](#) (February 2025).

⁴ ONS. [CPI, UK: February 2025](#) (March 2025).

⁵ FT. [UK inflation slows more than expected to 2.8%](#) (March 2025).

⁶ BoE. [Monetary Policy Report - February 2025](#) (February 2025).

⁷ OBR. [Economic and fiscal outlook – March 2025](#) (March 2025).

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.

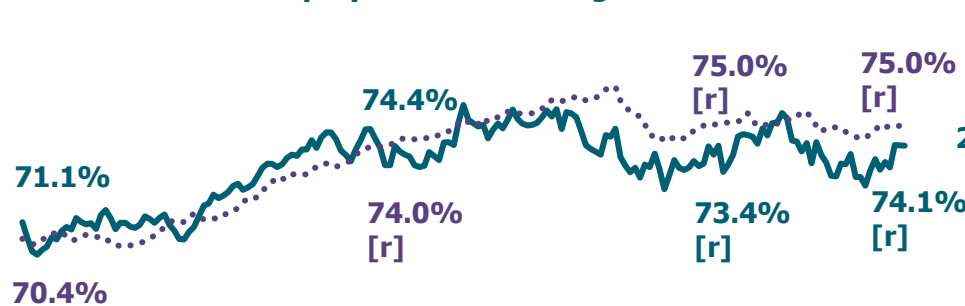
Employment Rate (16-64)¹

➤ **Scotland's employment rate was estimated to be 74.1%**

- The latest data suggests Scotland's employment rate was **74.1%** in the period covering November 2024 to January 2025. The rate is estimated to have increased by 0.9 pp compared with the previous quarter.*



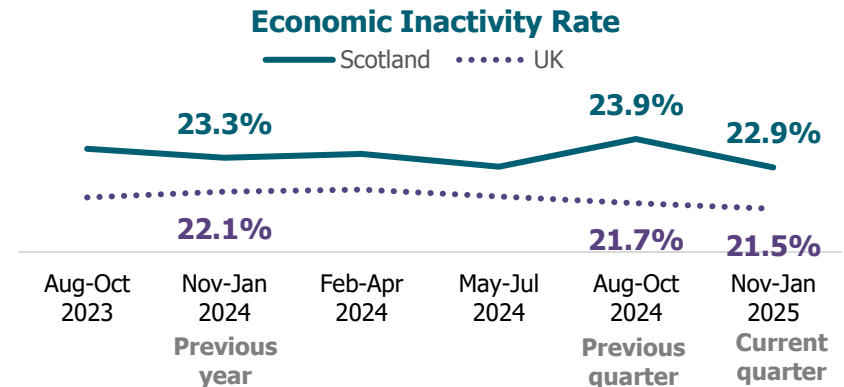
Employment Rate: Longer-term trend



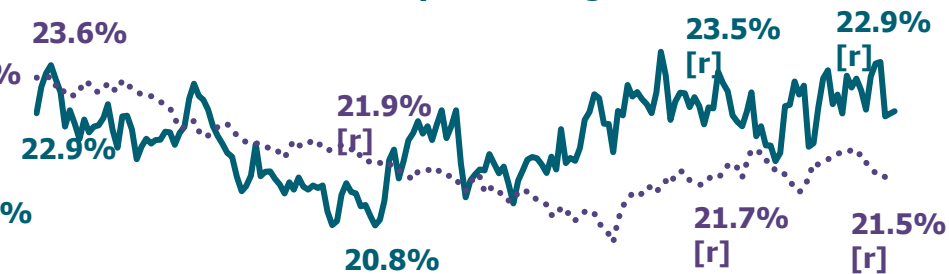
Economic Inactivity (16-64)¹

➤ **The 16-64 Scottish economic inactivity rate was estimated to be 22.9%**

- The latest data suggests that Scotland's economic inactivity rate was **22.9%** in November 2024 to January 2025. The economic inactivity rate was 1.0 pp lower than last quarter.*



Economic Inactivity Rate: Longer-term trend



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 3.7%**

- The latest data suggests Scotland's unemployment rate was **3.7%** in the period covering November 2024 to January 2025. This is an increase compared with the last quarter (0.1 pp change).*

Unemployment Rate



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

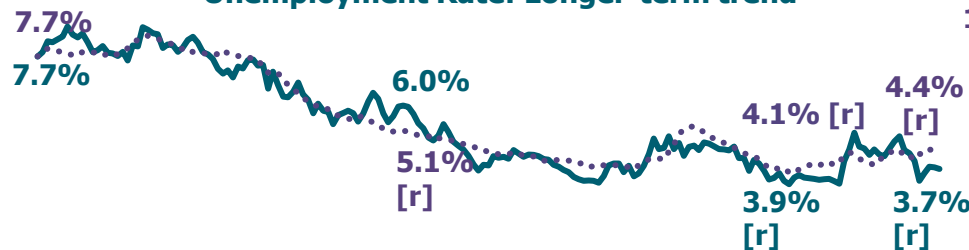
➤ **16-24 youth unemployment in Scotland was estimated to be 9.3%**

- The latest data estimates Scotland's youth unemployment rate was **9.3%** in the period covering November 2024 to January 2025.* This is lower than the same period of the previous year (0.2 pp decrease), but it is important to note the declassification of LFS data and the small sample sizes that youth unemployment is based on.**

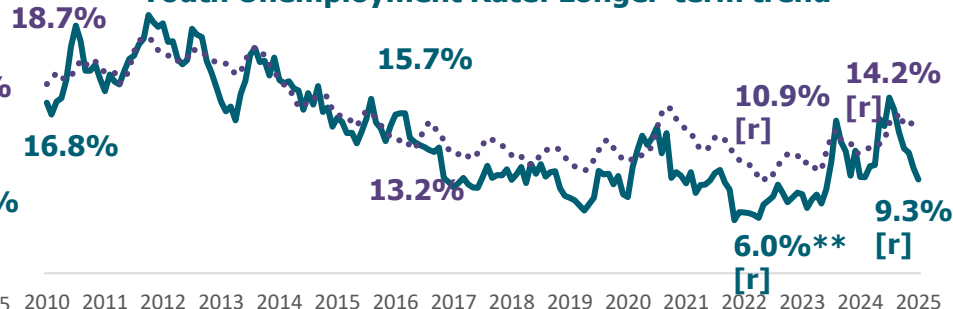
Youth Unemployment Rate



Unemployment Rate: Longer-term trend



Youth Unemployment Rate: Longer-term trend



¹ ONS, Labour Force Survey (20th March 2025). ² Please note: Youth Unemployment should only be compared to the previous year.

*Figures may not sum due to rounding. **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 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). Please find analysis of the Scottish youth labour market using APS data [here](#).

Universal Credit¹ and Claimant Count Rate²

606,800

people claiming Universal Credit in Scotland in February 2025

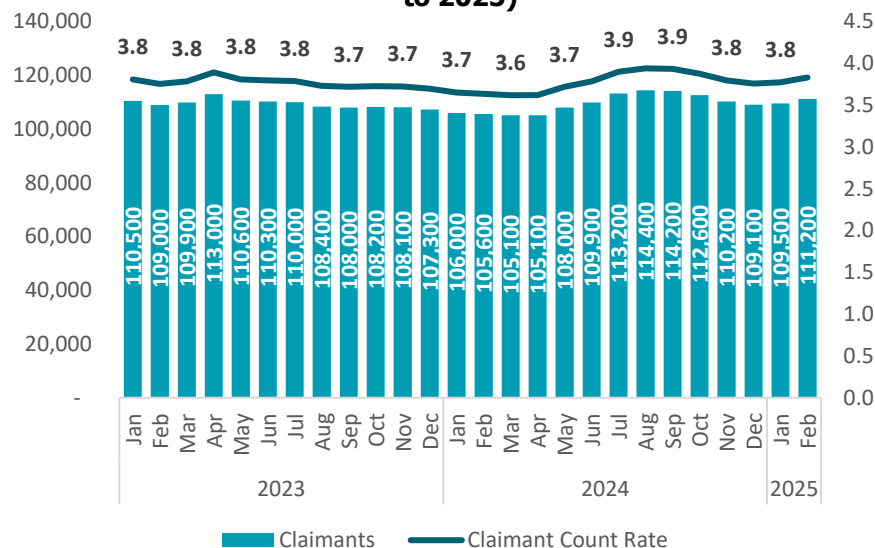
Between January and February 2025, 16,200 additional people in Scotland claimed Universal Credit, an increase of 2.7%. This continues a trend of increase from June 2022. The overall rise has been driven by an increase in claimants not in work.¹ Since January 2023 the proportion of claimants in work has ranged from 33% 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.

3.8%

Claimant Count rate in Scotland in February 2025 (111,200 claimants)

Between January and February the Claimant Count stayed broadly similar, where despite a slight increase in claimants (+1,700 or +1.5%), the rate remained at 3.8% due to rounding. The Claimant Count rate has fallen from 4.7% in January 2022, but there was a slight uptick during summer 2024, which has since started to reduce, despite an increase this month.

Claimant Count: No. of Claimants and Rate (%), Scotland (2023 to 2025)



Redundancies³ and Company Insolvencies⁴

4,000*

Redundancies in the three months to January 2025 in Scotland

1.9*

Redundancies per 1,000 people (4.2 in the UK)

The number of people who were made redundant in Scotland decreased in the three months to January 2025 (decreased by *3,000 people or *44.6%) compared with the three months to January 2024.

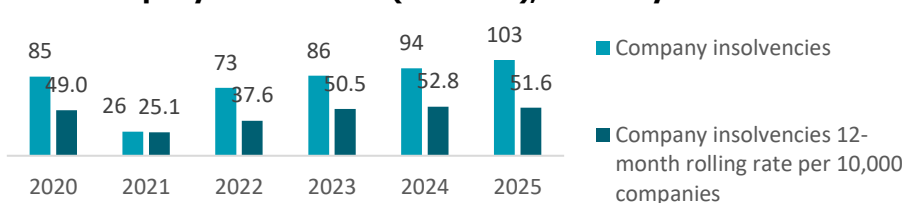
*Please note estimates are based on a small sample and should be used with caution.

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Company insolvencies in Scotland, February 2025

Following a reduction during the pandemic, company insolvencies have since increased. In general, the trend has shown that recent company insolvency levels are above those seen pre-pandemic. This is indicated for February 2025 as the number of insolvencies and 12-month rolling rate of insolvencies was higher than in February 2020.

Company Insolvencies (Scotland), February



¹ Department for Work and Pensions (March 2025). The breakdown of Universal Credit claimants by employment status is not available for February. February data is provisional. Figures for 'not in work' could include both those unemployed or economically inactive.

² ONS. Claimant Count (March 2025). *Experimental statistics*. February data is provisional.

³ ONS. Labour Force Survey (20th March 2025).

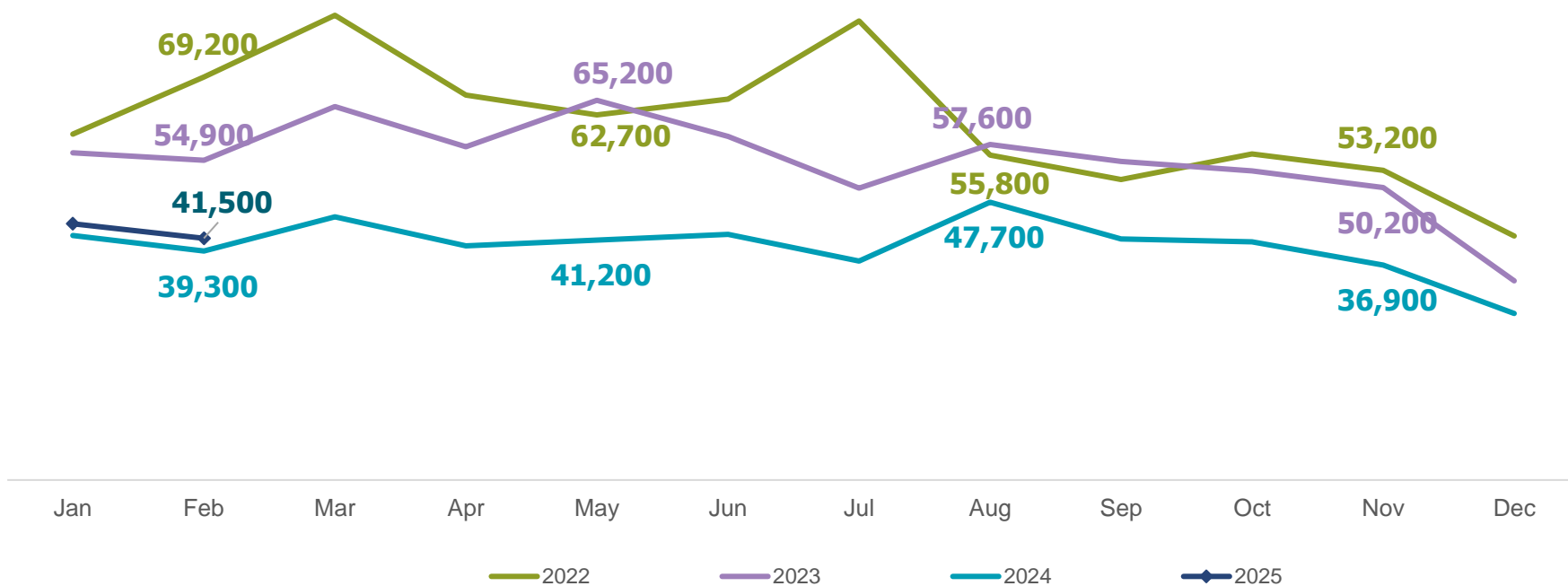
⁴ The Insolvency Service. [Monthly Insolvency Statistics, February 2025](#) (March 2025).

Job Postings in Scotland^{1,2}

Provisional data for February suggests online job postings in Scotland decreased compared with January, falling to 41,500, although this was higher than at the same point in 2024.

Online job postings in February decreased by 6% or 2,500 postings compared with January, although the number of postings increased compared with February 2024 (rising by 6% or 2,200 postings). The three-month-rolling average also increased (by 4%) for December to February compared with November to January. *Please note that due to data updates planned by Lightcast, both January and February data is provisional and it is not possible to provide all the usual data breakdowns.*

Job Postings



¹ Lightcast (March 2025). Lightcast gathers insights from online job postings. Please note January and February 2025 job postings are provisional.

² Numbers rounded to the nearest 100.

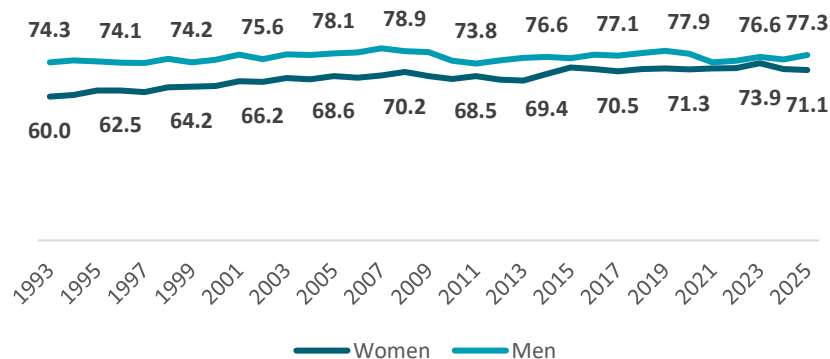
Spotlight: Women and the Labour Market

To mark International Women's Day earlier this month, our spotlight for this edition focuses on women and the labour market. There has been considerable progress in reducing the gap between the participation rates of men and women, and the gender pay gap has also fallen. However, challenges remain for women's pay and equality in the labour market.

Recent decades have seen many positive improvements around women's labour market participation

As shown below, the 16-64 employment rate for women in Scotland has increased significantly over the past 30 years, growing from 60.0% in November 1992 to January 1993 to 71.1% in November 2024 to January 2025 (Figure 1). As a result, the gap between the 16-64 employment rates for men and women in Scotland has more than halved, narrowing from 14.3 pp to 6.2 pp over this period.

Figure 1: 16-64 employment rate, Scotland (% , November to January, 1993 to 2025)

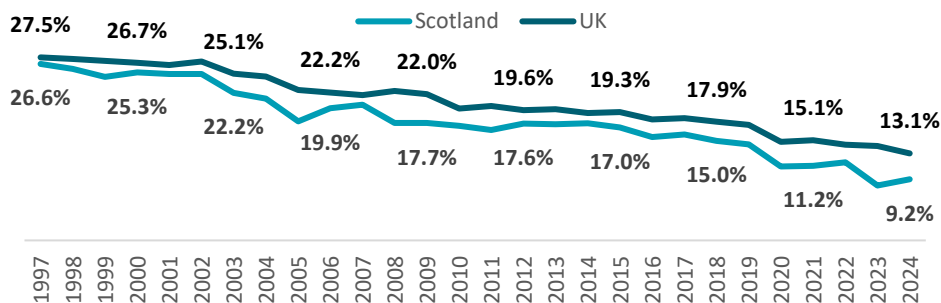


Source: ONS, Labour Force Survey

Another key measure indicating progress for greater gender equality in the labour market is the fall in the gender pay gap, which measures the difference between the earnings of women and men. The gender pay gap in Scotland (Figure 2) as measured by median

hourly pay (excluding overtime) has narrowed considerably, falling from 26.6% in 1997 to 9.2% in 2024. For full-time employees, the pay gap has narrowed from 18.4% to 2.2% over the same period.

Figure 2: Gender pay gap, Scotland and UK (1997 to 2024, based on median hourly earnings excluding overtime)



Source: ONS, Annual Survey of Hours and Earnings

Scotland performs well on indicators of gender equality in the labour market compared with other parts of the UK

Scotland has a smaller gender pay gap than the UK overall. The gender pay gap for the UK is 13.1% for all employees and 7.0% for full-time employees.¹ Also, beyond just pay, for the second year in a row Scotland topped the PwC Women in Work Regional UK Index. The index assesses a broader suite of indicators including participation rates and the female unemployment rate to measure progress towards gender equality in the labour market.² This was driven by a falling participation gap and gender pay gap.

Females in Scotland tend to have better educational outcomes and higher levels of post-school participation

Education has a key relationship with labour market outcomes, and this is an area in which women achieve well in Scotland. For example, female school leavers in Scotland are more likely to have attained at least one qualification at SCQF Level 6 (all SCQF measure), at around seven in ten (70.2%) compared with just over

¹ Scottish Government. [Annual Survey of Hours and Earnings 2024](#) (January 2025).

² PwC. [Women in Work 2025](#) (March 2025).

³ Scottish Government. [Attainment and Initial Leaver Destinations](#) (February 2025).

Spotlight: Women and the Labour Market

six in ten (62.9%) male school leavers in 2023/24.³ Female school leavers are also more likely to enter a positive destination (96.3% compared with 95.2% for males).³ In particular, female school leavers are much more likely to enter Higher Education, with nearly half (47.9%) of female school leavers in 2023/24 having an initial destination of Higher Education, compared with around one third (33.9%) of male school leavers.³

Whilst equality in the labour market has improved, considerable challenges remain

Whilst the gap in women's participation in the labour market and the gender pay gap have narrowed considerably in Scotland, inequality clearly remains. One very notable difference in female and male participation in the labour market is that women are far more likely to work part-time. This reflects the fact that women continue to take on the majority of caring responsibilities and are far more likely than men to reduce their working hours after having children (even in cases where they are the higher earner).⁴ For the period October 2023 to September 2024 nearly four in ten (39.0%) women in employment in Scotland worked part-time, this was nearly three times greater than the proportion for men (13.8%).⁵ Reflecting this, despite the narrowing gender pay gap for hourly median pay, the gap between gross weekly pay remains considerable, with women earning nearly a quarter (24.0%) less than men in 2024.⁶

Another key indicator of continuing patterns of inequality in the labour market is ongoing gender segregation in certain occupations and industries. For example, nearly eight in ten (79%) workers in the Health and Social Work sector are women, whilst nearly nine in ten (88%) in the Construction sector are male.⁷ Looking at occupations, the vast majority of workers in Caring Personal Service Occupations and Secretarial and Related Occupations are female, at 83% and 91% respectively.⁷ Such segregation appears to reflect gender

stereotypes. This segregation could contribute to the gender pay gap as certain roles/industries in which women are concentrated, such as caring, cleaning and hospitality also tend to have lower rates of pay.⁸ Recent analysis found that nearly one in five (18.7%) jobs filled by women in the UK are paid below the real living wage, compared with around one in eight (12.6%) jobs filled by men.⁹

Despite women's success in education, recent female graduates tend to earn less than their male counterparts

As noted earlier, women in Scotland tend to have higher levels of achievement and participation in post-school education. Despite this, the gender pay gap persists, and data suggest that this is even the case for recent graduates. The Graduate Outcomes survey found that 15 months after graduation, around two-thirds (63%) of Scottish domiciled male graduates from first degree courses at Scottish universities who were in full-time employment in the UK, earned £27,000 or more compared with just over half (56%) of their female counterparts.¹⁰ This is despite the fact that women are more likely to have graduated with first-class or upper second-class degrees.¹¹ The pay gap could reflect the impact of gender stereotypes as data indicates gender segregation in particular degree subjects. For example, males account for around 80% of first degree enrolments in Engineering and Computing at Scottish universities despite accounting for just 40% of total enrolments.¹¹

Caring responsibilities and gender stereotypes continue to influence ongoing gender inequality in the labour market

Overall, the analysis suggests that despite considerable improvement in recent decades, barriers to gender equality in the labour market remain. Key issues include the ongoing impact of caring responsibilities on women's careers as well as the effect of gender stereotypes in shaping the occupations and industries women work in and the subjects they study.

⁴ IFS. [The careers and time use of mothers and fathers](#) (March 2021).

⁵ ONS. Annual Population Survey (January 2025).

⁶ ONS. Annual Survey of Hours and Earnings (November 2024).

⁷ NRS. Scotland's Census (September 2024).

⁸ Living Wage Scotland. [Blog: Low Pay and Gender Inequality](#) (January 2020).

⁹ Living Wage Foundation. [Nearly 3 million women paid below real Living Wage](#) (March 2025).

¹⁰ HESA. Graduate Outcomes Survey (July 2024).

¹¹ HESA. HE Student Data (March 2025).

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:

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