

# Economy, People and Skills

September 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 remained broadly unchanged in the latest quarter, although weaker than a year earlier. Scotland's labour market showed signs of softening with lower employment and higher unemployment. Looking ahead, the British Chambers of Commerce (BCC) forecasts UK economic growth to remain subdued, with higher energy and operating costs continuing to weigh on businesses amid wider economic uncertainty.**

**UK labour market conditions were broadly unchanged, with some softening in Scotland**

The UK labour market showed little overall change compared with the previous quarter. Data from the Labour Force Survey (LFS) indicates that employment remained at 75.1%, while unemployment was unchanged at 4.9% and economic inactivity decreased slightly to 20.9%. Payrolled employment was 0.5% lower than a year earlier and job vacancies continued to fall, reaching their lowest level since 2021.

In Scotland, the LFS headline labour market indicators suggest some softening in the three months to July 2026. Employment fell to 73.7% (-0.4 pp) and unemployment rose to 5.1% (+0.6 pp), while economic inactivity remained unchanged at 22.2%. PAYE employment was 0.4% lower than a year earlier, although online job postings rose by 2.9% over the latest three-month period.

Labour market conditions for young people remain challenging. In Scotland, the youth unemployment measure from the LFS reached 16.0%, up 3.9 percentage points over the year. Across the UK, youth unemployment stood at 16.8%, remaining above year-earlier levels.

It is important to note that the LFS labour market data have been downgraded and are no longer classified as accredited statistics; therefore, the findings should be interpreted with caution.

**Inflation rises as economic growth remains modest**

Annual regular pay growth increased to 3.5% in the three months to July 2026 and inflation rose to 3.1% in August, up from 2.9% in July. The Bank of England (BoE) decided to keep the base interest rate at 3.75% in September but indicated that monetary policy may need to tighten further in response to persistent inflationary pressures. Subdued economic growth continued in Q2 2026, with UK GDP increasing by 0.4% and Scotland's GDP growing by an estimated 0.7%.

**Future outlook**

The global outlook remains uncertain, with concerns around debt, inflation and fiscal sustainability in major economies. While these issues have not yet materially altered UK economic forecasts, they contribute to an uncertain international environment and could affect global investment flows, financial market stability and business confidence over the coming year.

While stronger-than-expected growth in the first half of the year led the BCC to raise its UK growth forecast for 2026 to 1.0%, the outlook for 2027 and 2028 remains subdued as higher energy and operating costs, alongside global uncertainty, are expected to constrain growth over the next couple of years. Inflation is forecast to remain above target, peaking at 3.6% in Q4 2026, driven largely by household energy costs and rising food prices.

Labour market conditions, as stated by the BCC, are expected to soften, with both overall and youth unemployment forecast to rise over the next two years. Youth unemployment is projected to increase from 16.6% at the end of 2026 to 17.6% in 2027, underlining the importance of the forthcoming final Young People and Work review led by Alan Milburn, which is expected to recommend measures to improve young people's participation in education and employment in the UK.

UK and Scotland Economy - Gross Domestic Product (GDP)

UK GDP

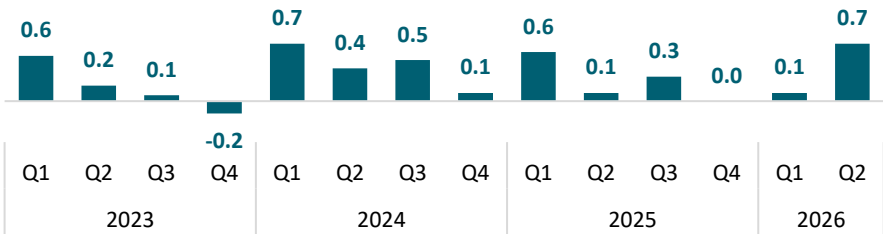
UK GDP is estimated to have grown by 0.4% in Q2 2026, following growth of 0.6% in Q1 2026.<sup>1</sup> GDP grew by 0.4% in the three months to July 2026, following revised growth of 0.4% in the three months to June and 0.6% in the three months to May. In July, monthly GDP grew by 0.4%, following growth of 0.3% in June, and no growth in May.<sup>2</sup> Annual GDP is estimated to have increased by 1.3% in 2025, following growth of 1.0% in 2024.<sup>3</sup>

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.<sup>4</sup> 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%.<sup>5</sup> Monthly GDP is estimated to have grown by 0.5% in June 2026.<sup>5</sup> 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.<sup>6</sup>

Quarter on Quarter GDP Change (%) (Scotland)



Economic Outlook

**Earlier this month the British Chambers of Commerce (BCC) published their most recent forecasts for the UK economy. The BCC note that, although the economy was more resilient than expected in Q2, growth is expected to remain weak over this year and next as businesses continue to face higher energy and operating costs.<sup>7</sup>**

According to the BCC, UK GDP is forecast to grow by 1.0% in 2026, slightly above their previous forecast of 0.9%, reflecting stronger-than-expected economic resilience in the first half of the year despite global challenges and higher oil prices. Amid continued uncertainty over the conflict in the Middle East, growth is expected to remain at 1.0% in 2027 before rising to 1.3% in 2028. The BCC expects the services sector to remain the primary driver of growth, expanding by 1.5% this year. In contrast, construction output is forecast to decline by 1.3% in 2026. Manufacturing is expected to perform slightly better

than previously anticipated, with growth of 1.0%, revised up from 0.8% in the previous forecast.

The BCC expects inflation to remain above target until the end of the forecast period. After easing in spring and early summer, it is forecast to peak at 3.6% in Q4 2026, down slightly from the 3.8% projected previously. Higher household energy costs remain the main source of inflationary pressure, with food prices posing an additional risk following drought conditions in parts of the UK.

The BCC also expects unemployment to edge higher over the next two years, reaching 5.0% by the end of 2026 before rising to 5.4% in 2027. Youth unemployment remains a significant challenge, with the rate forecast to increase from 16.6% at the end of this year to 17.6% in 2027.

<sup>1</sup> ONS. [GDP first quarterly estimate, UK: April to June 2026](#) (August 2026).

<sup>2</sup> ONS. [GDP monthly estimate, UK: July 2026](#) (September 2026).

<sup>3</sup> ONS. [GDP quarterly national accounts, UK: January to March 2026](#) (June 2026).

<sup>4</sup> Scottish Government. [Scotland’s GDP 2026 Quarter 2, First Quarterly Estimate](#) (August 2026).

<sup>5</sup> Scottish Government. [GDP Monthly Estimate, Scotland: June 2026](#) (August 2026).

<sup>6</sup> Scottish Government. [Scotland’s GDP 2025 Quarter 4, First Quarterly Estimate](#) (February 2026).

<sup>7</sup> BCC. [BCC Economic Forecast](#) (September 2026).

## Inflation and the Cost of Living



### Business activity data suggests a mixed outlook Scotland's Business Activity Index increased

**from 47.3 in July to 48.9 in August**, pointing to a more moderate decline in private sector activity while remaining below the 50.0 threshold.<sup>1</sup>

Businesses reporting weaker activity often cited softer demand and fewer new orders. However, the employment indicator rose for the third month in a row, reflecting expansion plans, new project work and ongoing replacement hiring

### In September the headline S&P Global Flash UK PMI<sup>2</sup>

fell from 52.5 in August to 51.7, a three-month low. Although this still indicates expansion, the pace of growth has slowed, suggesting a loss of momentum across both the manufacturing and services sectors.



### Consumer sentiment continues to weaken

**In Q2 2026, the Scottish Consumer Sentiment Indicator fell by 4.1 points over the quarter** to -12.7, its lowest level since Q1 2023.

Over the year, consumer sentiment has weakened, with the indicator falling by 3.8 points compared to Q2 2025.<sup>3</sup>

At the UK level, the S&P Global index also suggested **consumer sentiment weakened further in September**, falling from 42.9 in July to 42.7, reaching a three-month low.<sup>4</sup> Household confidence has become more subdued as uncertainty in energy markets contributes to expectations of higher interest rates approaching a three-year high.



### UK inflation increased to 3.1% in August

Inflation accelerated to 3.1% in August.<sup>6</sup> This is up from 2.9% in July and in line with economists' predictions.<sup>6</sup>

Higher petrol prices were the primary driver of the rise in August, with household energy bills also contributing to the increase.<sup>6</sup>

Core inflation which excludes energy and food was unchanged again in August at 2.6%. Services inflation also held steady at 3.4%.<sup>6</sup>

These are key measures for the Bank of England (BoE).

### Inflation forecast

The latest inflation projections from the BoE were published on 30<sup>th</sup> July 2026.<sup>7</sup> 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 (%)



<sup>1</sup> RBS. [Growth Tracker](#) (September 2026).

<sup>2</sup> S&P. [Global Flash UK PMI](#) (September 2026).

<sup>3</sup> Scottish Government. [Scottish Consumer Sentiment Indicator](#) (July 2026).

<sup>4</sup> S&P. [Global UK Consumer Sentiment Index](#) (September 2026).

<sup>5</sup> 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).

<sup>6</sup> ONS. [CPI, UK: August 2026](#) (September 2026); FT. [UK inflation rose to 3.1% in August](#)

(September 2026).

<sup>7</sup> BoE. [Monetary Policy Report](#) (July 2026).

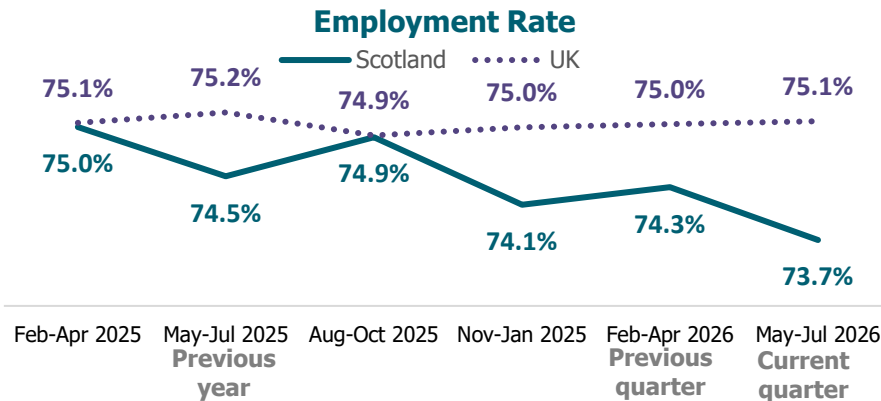
The ONS published revised LFS estimates from 2011 for the UK (except for youth unemployment, which is from 2019) and from 2019 for Scotland in December 2024. The revised data incorporates new population estimates, including the Scottish 2022 Census, helping to make LFS estimates more representative.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

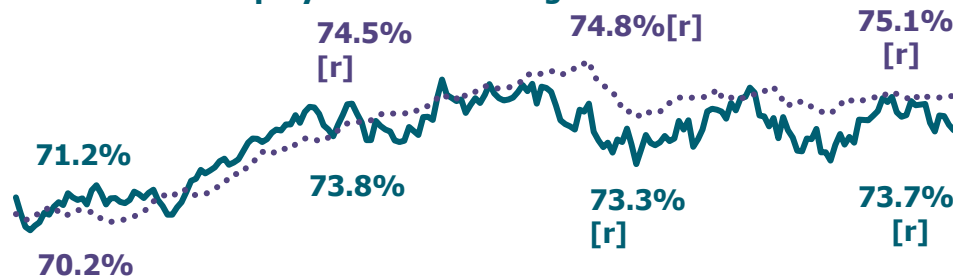


**Scotland's employment rate was estimated to be 73.7%**

- The latest data suggests Scotland's employment rate was **73.7%** in the period covering May to July 2026. The rate decreased compared with the previous quarter (-0.4 pp).\*



### Employment Rate: Longer-term trend



## Economic Inactivity (16-64)<sup>1</sup>

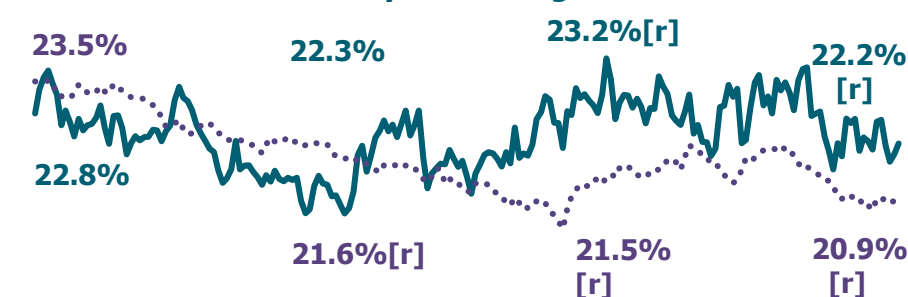


**The 16-64 Scottish economic inactivity rate was estimated to be 22.2%**

- The latest data suggests that Scotland's economic inactivity rate was **22.2%** in May to July 2026. The economic inactivity rate remained unchanged compared with the previous quarter (0.0 change).\*



### Economic Inactivity Rate: Longer-term trend



<sup>1</sup> ONS, Labour Force Survey (15<sup>th</sup> September 2026).  
\*Figures may not sum due to rounding.

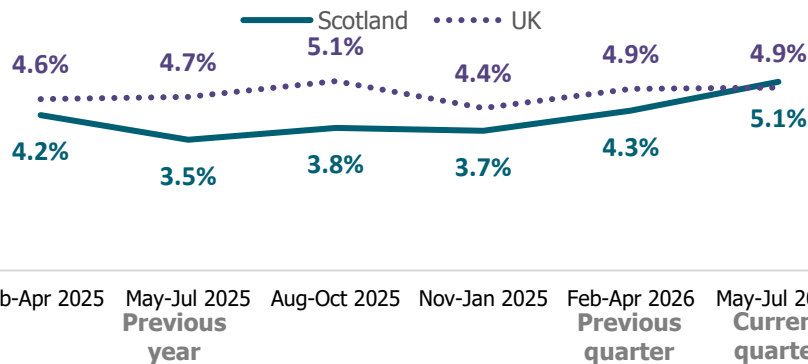
The ONS published revised LFS estimates from 2011 for the UK (except for youth unemployment, which is from 2019) and from 2019 for Scotland in December 2024. The revised data incorporates new population estimates, including the Scottish 2022 Census, helping to make LFS estimates more representative.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

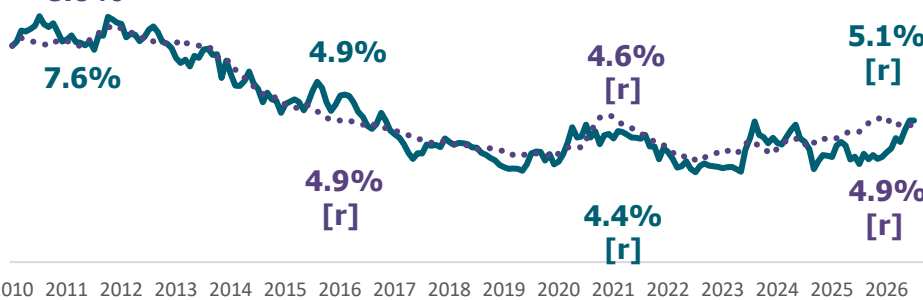
➤ **Unemployment in Scotland was estimated to be 5.1%**

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

### Unemployment Rate



### Unemployment Rate: Longer-term trend

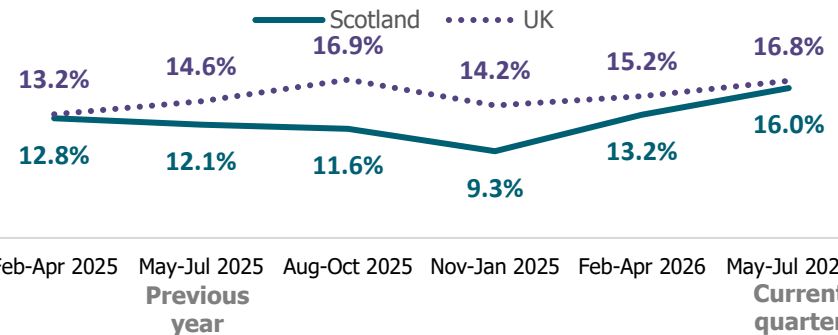


## Youth Unemployment (16-24)<sup>1,2</sup>

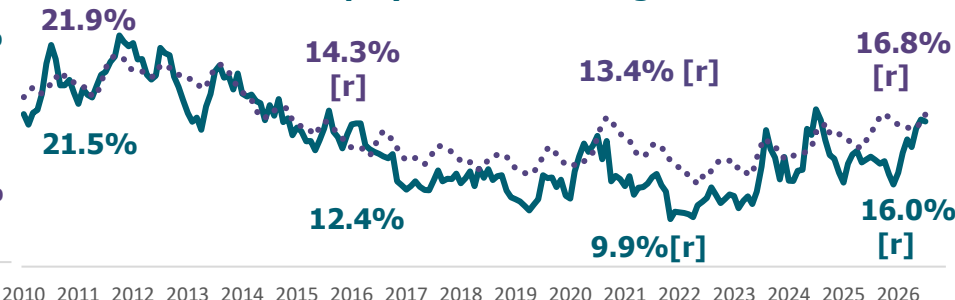
➤ **16-24 youth unemployment in Scotland was estimated to be 16.0%**

- The latest data estimates that Scotland's youth unemployment rate was **16.0%** in the period covering May to July 2026.\*\* This is higher than the same period the previous year (3.9 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



<sup>1</sup> ONS. Labour Force Survey (15<sup>th</sup> September 2026). <sup>2</sup> 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<sup>1</sup> and Claimant Count Rate<sup>2</sup>

697,300

people claiming Universal Credit in Scotland in May 2026

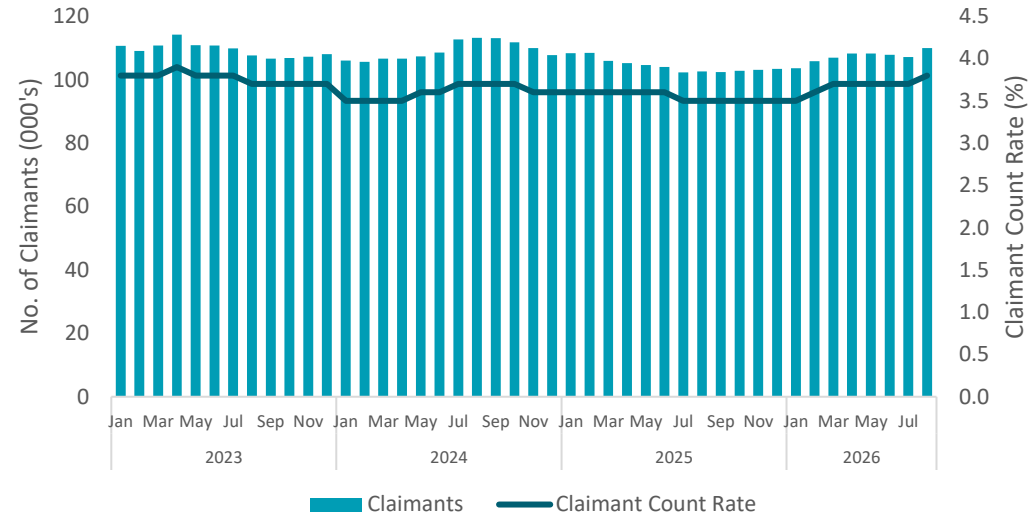
Between April and May 2026, 3,300 additional people in Scotland claimed Universal Credit, an increase of 0.5%.<sup>1</sup> This represents an increase of 68,300 (or 10.9%) with respect to May 2025.

3.8%

Claimant Count rate in Scotland in August 2026 (110,000 claimants)

Between July and August 2026, the Claimant Count 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)



## Redundancies<sup>3</sup> and Company Insolvencies<sup>4</sup>

14,000\*

Redundancies in the three months to July 2026 in Scotland

6.1\*

Redundancies per 1,000 people (3.9 in the UK)

The number of people who were made redundant in Scotland increased by 7,800\* in the three months to July 2026 compared with the three months to July 2025.

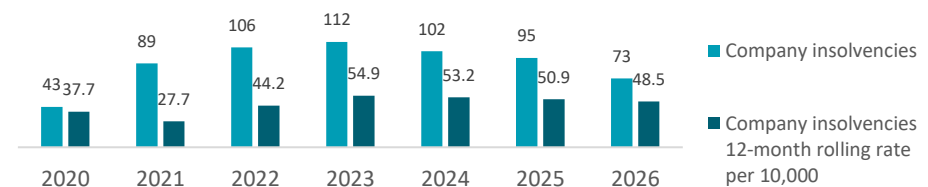
\*Please note estimates are based on a small sample and should be used with caution.

73

Company insolvencies in Scotland, August 2026

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

Company Insolvencies (Scotland), August



<sup>3</sup> ONS. Labour Force Survey (15<sup>th</sup> September 2026).

<sup>4</sup> The Insolvency Service. [Monthly Insolvency Statistics, August 2026](#) (September 2026).

<sup>1</sup> Department for Work and Pensions (August 2026). From May 2026, Universal Credit statistics have been 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.

<sup>2</sup> ONS. Claimant Count (September 2026). Experimental statistics. August data is provisional.

## Job Postings in Scotland<sup>1,2</sup>

**Provisional data for August suggests that online job postings in Scotland increased compared with July, rising to 56,600.**

Postings increased by 13.1% or 6,600 compared with July 2026. The three-month rolling average job postings measure increased 2.9% in the period June-August 2026 compared with May-July. Temporary roles made up 14.4% of job postings in Scotland in August, decreasing by 1.8 pp compared to July 2026 but increasing by 2.8 pp compared with August 2025.

**The highest demand in August was for occupations such as:**

- Cleaners and Domesticics;
- Care Workers and Home Carers;
- Sales Related Occupations n.e.c.;
- 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 August compared with July:**

**Increase:**

- Sales and Retail Assistants (+400);
- Chefs (+300); and
- Sales Related Occupations n.e.c. (+300).

**Decrease:**

- Chartered and Certified Accountants (-500);
- Cooks (-400); and
- Other Administrative Occupations n.e.c. (-400).

**The skills in highest demand in August were:**

**Common skills**

- Communication;
- Customer Service; and
- Management.

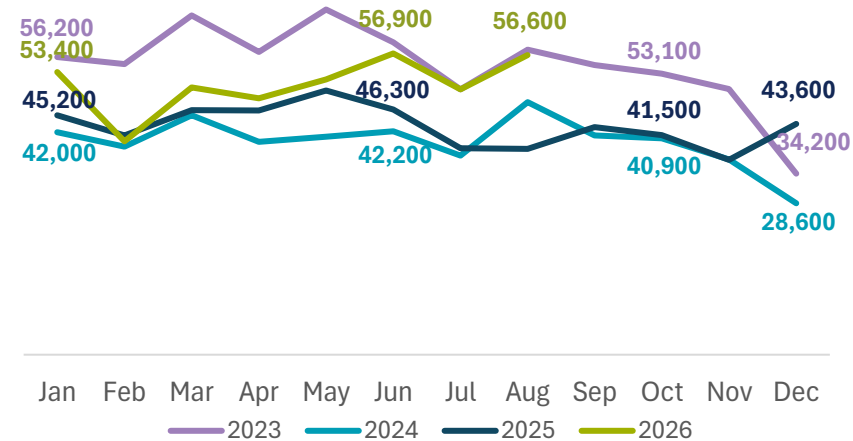
**Specialised skills**

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

**Public and private sector postings in August:**

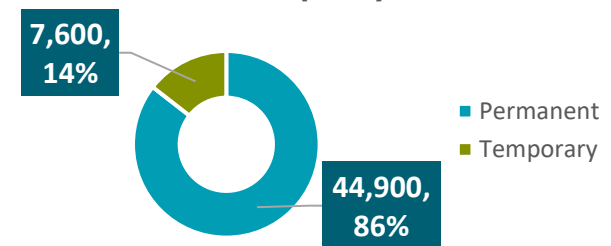
- In August, the top 10 organisations with the most job postings were mostly public sector organisations.

## Job Postings

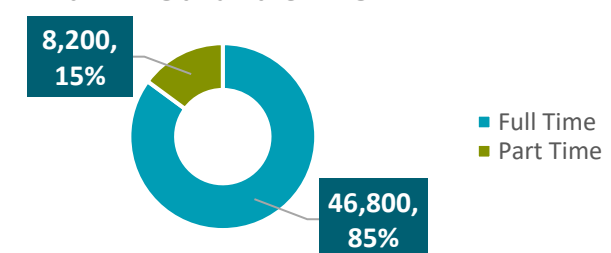


## Job Postings in Scotland, August 2026

**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.

<sup>1</sup> Lightcast (September 2026). Lightcast job postings data are subject to retrospective revision. As a result, figures and percentage changes reported here may differ from those published in previous reports.

<sup>2</sup> 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 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.

Contact us:

[rsa@sds.co.uk](mailto:rsa@sds.co.uk)