

Economy, People and Skills

June 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 fallen to the 2% target for the first time in nearly three years, and the latest data suggests continued cooling of the labour market for both Scotland and the UK. Positively, Scotland returned to economic growth in Q1 2024, but overall, the outlook for the economy continues to be mixed.

Labour market continues to cool

The latest Labour Force Survey (LFS) data estimates that Scotland's unemployment rate increased by +0.4 pp to 4.7% in February to April 2024. The cooling of the labour market in Scotland was further suggested by a decrease (-1.3 pp) in employment and increase (+1.0 pp) in economic inactivity.

UK data shows the same trend. Employment decreased, and economic inactivity and unemployment increased. However, it is important to note that unemployment remains historically low, and that the ONS continues to advise that LFS data is used with caution and in conjunction with other sources due to ongoing challenges with response rates.

Online job postings increase slightly from April but substantial decrease year-on-year

Online job postings in Scotland increased slightly (+2% or 1,000 postings) in May compared with April. However, compared with May 2023 job postings fell by over a third (-37% or 24,000 postings).

New tax year sees rising costs for employers

The proportion of Scottish employers reporting a month-on-month increase in costs rose from less than a quarter (23.6%) in March to over a third (35.0%) in April, with many mentioning the cost of the new national minimum wage as a factor. This is also

indicated by UK wage data showing that regular pay grew by +6.0% in February to April 2024. However, the latest Scottish Purchasing Managers Index (PMI) data suggests that price pressures eased in May following the uptick in April.

Inflation falls to target, but interest rates held

Inflation (CPI) fell to the 2% target for the first time in nearly three years in May. However, key indicators of inflation persistence, while easing, remained elevated and the Bank of England (BoE) decided to hold the base interest rate at 5.25% at their June meeting. Forecasts from the BoE also expect inflation to rise back above 2% later in 2024.

Scotland returns to growth in Q1 2024

New GDP figures estimate that Scotland's economy increased by +0.7% in Q1 2024 – a return to growth after contraction of -0.5% in Q4 2023. Quarter-on-quarter growth in Q1 2024 was at its highest level since Q1 2022. Compared to the same quarter in the previous year growth was more muted, at +0.2%. PMI data also suggests business activity has continued to grow, with activity expanding for the fifth month in a row in May, and at the fastest pace in two years.

International forecasters predict subdued growth for the UK

While falling inflation and increasing real incomes are expected to boost spending in the UK, challenges for the economy continue with services inflation remaining elevated and increased rates of economic inactivity. As a result, international forecasters, particularly the OECD, predict a sluggish growth outlook for the UK, lagging behind other G7 nations. Further information on international forecasts can be found on page four.

UK and Scotland Economy - Gross Domestic Product (GDP)

UK GDP

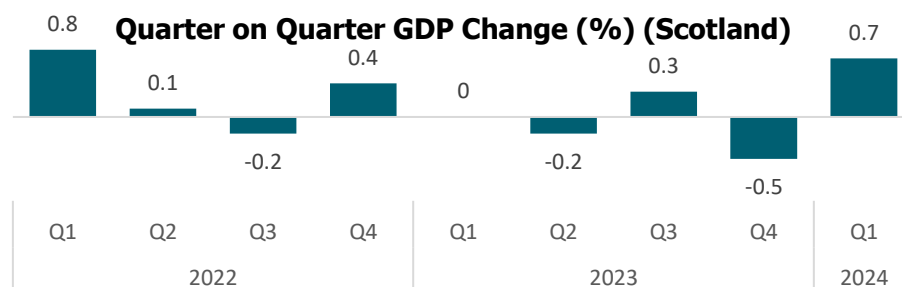
The latest estimates for UK GDP show that the UK exited recession at the beginning of the year with +0.6% growth in Q1 2024. The UK fell into a short recession at the end of 2023 due to contraction of -0.1% in Q3 and -0.3% in Q4.¹ Recession is defined as two consecutive quarters of contraction in GDP. 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 no growth (0.0%) in April, which has been related to unusually wet weather. This followed +0.4% growth in March and +0.2% growth in February.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 (meaning two consecutive quarters of contraction did not occur).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 March 2024 which estimates growth of +0.4%, following +0.1% in February and +0.2% in January.⁵



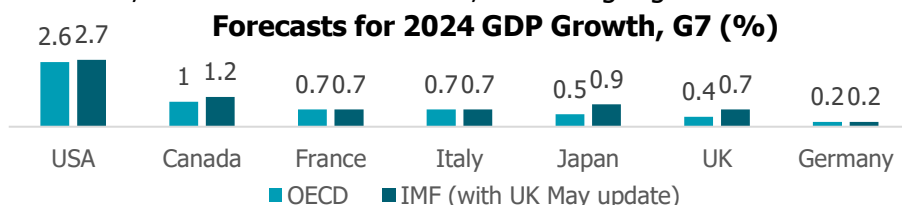
Economic Outlook

International economic forecasts were released by the OECD⁶ in May and IMF⁷ in April. Since the initial IMF forecast a further UK update⁸ was released in late May. Both organisations predict that UK growth will lag behind other G7 nations.

The initial UK forecast released by the IMF as part of its World Outlook predicted growth of +0.5% in 2024 and +1.5% in 2025.⁷ These forecasts for the UK have since been revised and the IMF is now estimating growth of +0.7% in 2024, with 2025 remaining at +1.5%.⁸ Compared with other G7 nations, the new 2024 estimate is only higher than Germany, and the same as France and Italy. The IMF expect falling inflation and increasing real-incomes to support growth in the UK, but increased economic inactivity

and low productivity are expected to act as long-term lags on growth.⁸

The OECD forecast⁶ estimates UK growth of +0.4% in 2024 and +1.0% in 2025. This is the second lowest of the G7 for 2024 (ahead of Germany with +0.2% growth) and lowest of all G7 nations for 2025. The OECD expect UK growth to remain sluggish due to the ongoing impact of interest rate rises and elements of inflation, such as services inflation, remaining high.



¹ ONS. [GDP first quarterly estimate, UK: January to March 2024](#) (May 2024).

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

³ ONS. [GDP monthly estimate, UK: April 2024](#) (June 2024).

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

⁵ Scottish Government. [GDP Monthly Estimate: March 2024](#) (May 2024).

⁶ OECD. [An Unfolding Recovery: OECD Economic Outlook](#) (May 2024).

⁷ IMF. [World Economic Outlook – Steady but Slow: Resilience amid Divergence](#) (April 2024).

⁸ IMF. [United Kingdom: Staff Concluding Statement of the 2024 Article IV Mission](#) (May 2024).

Inflation and the Cost of Living



Small business confidence improves to highest level since 2022

The latest Scottish small business index (Q1 2024) found that **confidence has reached its highest level since Q1 2022**.¹

At 10.7 the index, which measures the net balance of firms expecting their performance to improve over the next three months, **rose by 29.9 points compared with Q4 2023**. The net balance was also **positive for the first time since Q1 2023**.

However, the survey also found that there are still a **greater number of small businesses reporting a decline in revenue** (33.9%) than an increase (31.3%).



Views on the economy slightly more positive, but optimism still low

The Understanding Scotland survey from May found that **positivity about the economy and personal finances has grown slightly but remains low**.

One in ten respondents (10%) reported general economic conditions are better than 12 months ago and 14% that their personal finances have improved, up from 6% and 12% respectively in February.²

The **proportion of respondents reporting they are satisfied with their income has fallen** to 34% compared with 37% in November 2023. Although, the proportion that are dissatisfied has also fallen slightly.



Inflation falls to 2% target

Inflation (CPI) fell to **2.0% for the first time in nearly three years in the 12 months to May 2024, down from 2.3% in April**.³ The decrease was **driven by food prices**.

Despite the fall in the headline rate, **core** (3.5%) and **services** (5.7%) inflation has **remained elevated**, and owner occupiers' housing costs have continued to rise.

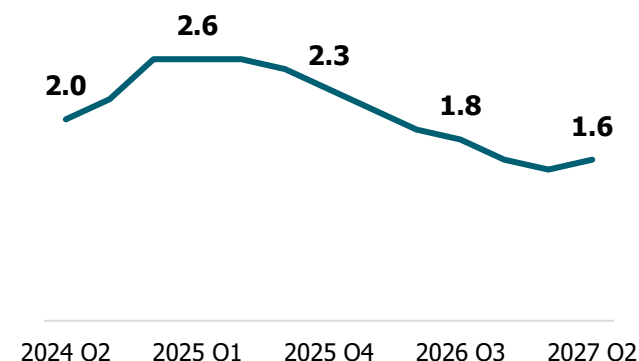
BoE forecasts also expect **inflation to rise back above 2%** later in 2024 due to the lessening impact from the fall in energy prices.

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 Federation of Small Businesses. [Scotland Q1 2024 Small Business Index](#) (May 2024).

² Diffley Partnership. [Understanding Scotland Economy Tracker May 2024](#) (May 2024).

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

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

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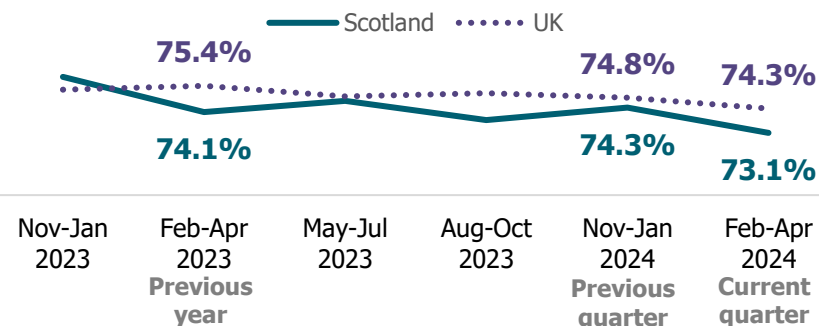
The LFS returned in February, and the ONS have published new, reweighted estimates from 2011 for the UK and from 2022 for Scotland. This reweighting incorporates UK population changes, helping to make LFS estimates more representative. Reweighted and non-reweighted data is not comparable and therefore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

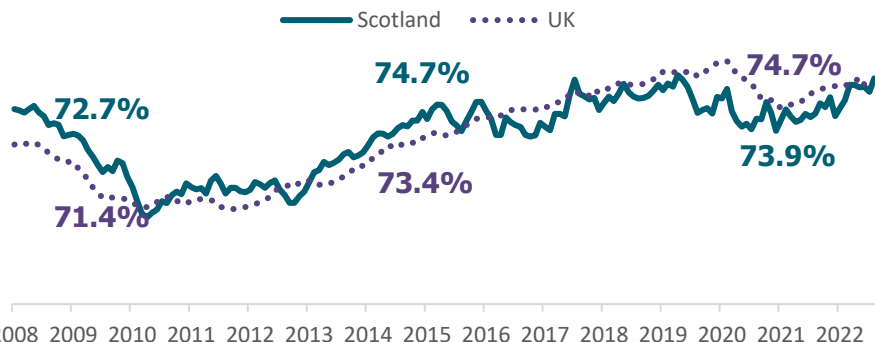
➤ **Scotland's employment rate was estimated to be 73.1%**

- The latest data suggests Scotland's employment rate was **73.1%** in the period covering February to April 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)

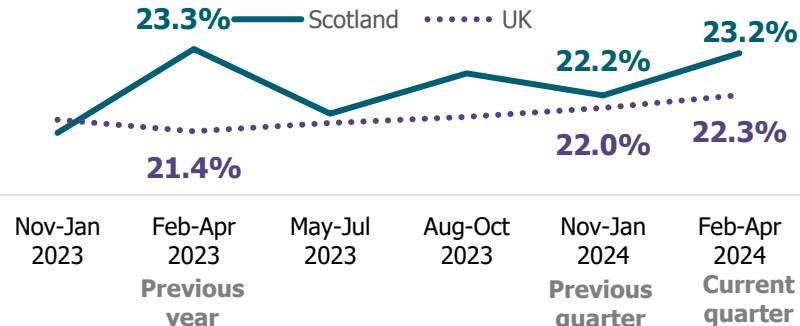


Economic Inactivity (16-64)¹

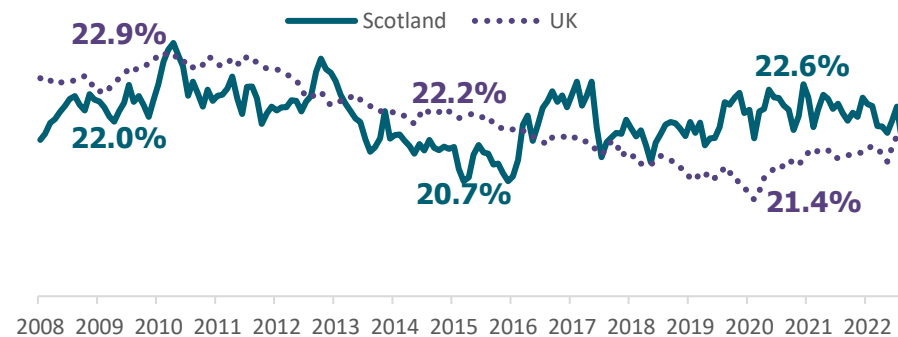
➤ **The 16-64 Scottish economic inactivity rate was estimated to be 23.2%**

- The latest data suggests that Scotland's economic inactivity rate was **23.2%** in February to April 2024. The economic inactivity rate was +1.0 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 (11th June 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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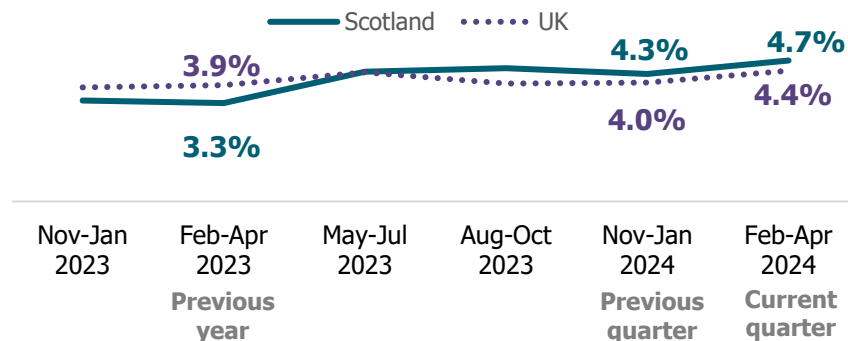
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Unemployment (16+)¹

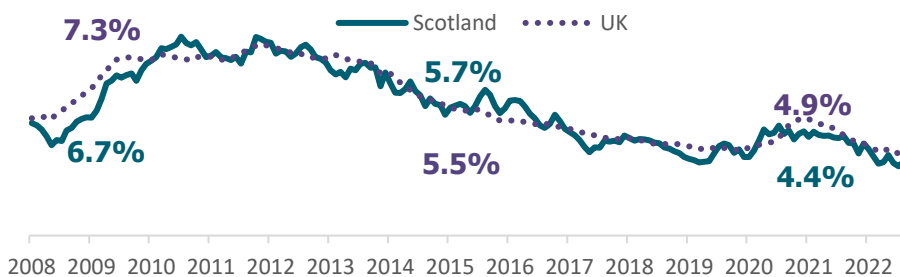
➤ **Unemployment in Scotland was estimated to be 4.7%**

- The latest data suggests Scotland's unemployment rate was **4.7%** in the period covering February to April 2024. This is an increase compared with the last quarter (+0.4 pp increase).*

Unemployment Rate: 2022 onwards (re-weighted figures)



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

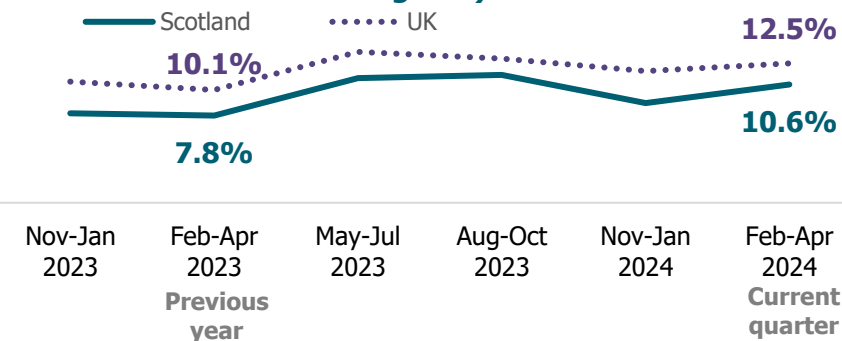


Youth Unemployment (16-24)^{1,2}

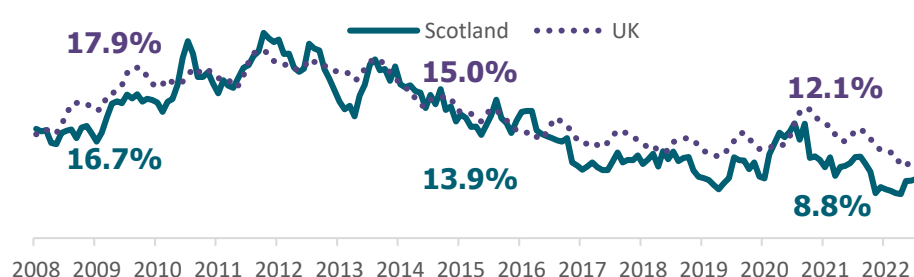
➤ **16-24 youth unemployment in Scotland was estimated to be 10.6%**

- The latest data estimates Scotland's youth unemployment rate was **10.6%** in the period covering February to April 2024. This is higher than the same period of the previous year (+2.8 pp increase).**

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 (11th June 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

552,000

people claiming Universal Credit in Scotland in May 2024

Between April and May 2024, 11,500 additional people in Scotland claimed Universal Credit, an increase of +2.1%. 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%.

3.7%

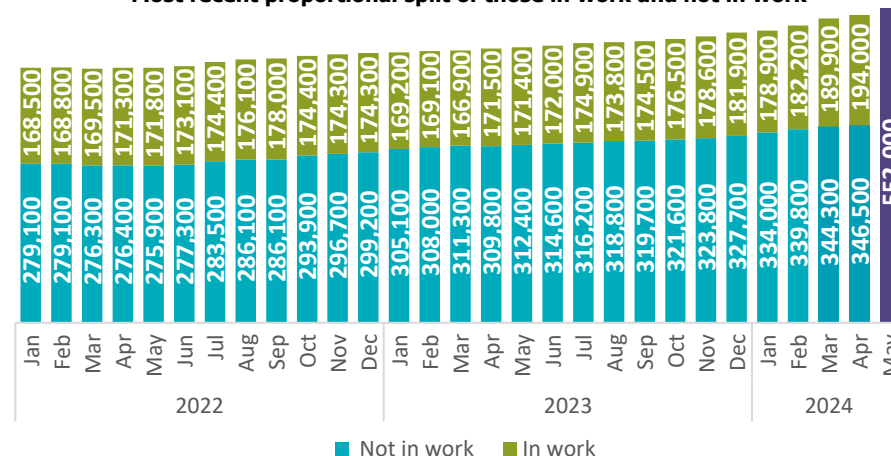
Claimant Count rate in Scotland in May 2024

Between April and May 2024, the Claimant Count rate in Scotland increased by +0.1 pp to 3.7%. 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

10,000*

Redundancies in the three months to April 2024 in Scotland

4.3*

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

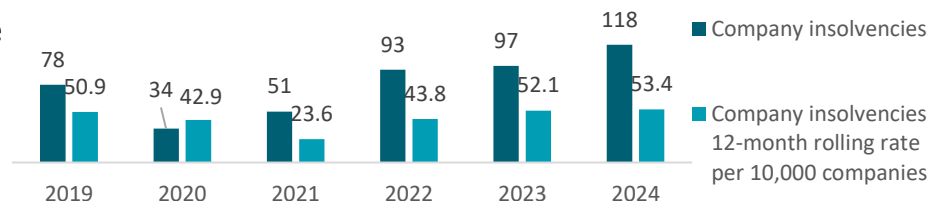
The number of people who were made redundant in Scotland increased in the three months to April 2024 (*+2,000 or *+30.1%) compared to the three months to April 2023. *However, please note estimates are based on a small sample and should be used with caution.

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Company insolvencies in Scotland, May 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 May 2024 was greater than May 2019, as is the rolling 12-month rate per 10,000 companies.

Company Insolvencies (Scotland), May



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

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

³ ONS. Labour Force Survey (11th June 2024).

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

Job Postings in Scotland^{1,2}

At 41,200, online job postings in May increased slightly compared with the previous month, but decreased substantially compared to the previous year.

There was a slight rise in online job postings in May compared with April, by +2% or +1,000 postings, and the three-month-rolling average also similarly increased (+1% for March to May compared with February to April). However, the year-on-year trend shows continued cooling as postings fell by over one third (-37%) or -24,000 postings compared with May 2023.

The highest demand in May was for occupations such as:

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

The occupations in highest demand remain similar to last month.

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

Increase:

- Customer Service Occupations (+200);
- Secondary Education Teaching Professionals (+100); and
- Other Registered Nursing Professionals (+100).

Decrease:

- Care Workers and Home Carers (-200);
- Registered Nurse Practitioners (-100); and
- Mechanical Engineers (-100).

The skills in highest demand in May were:

Common skills

- Communication;
- Customer Service; and
- Management.

Specialised skills

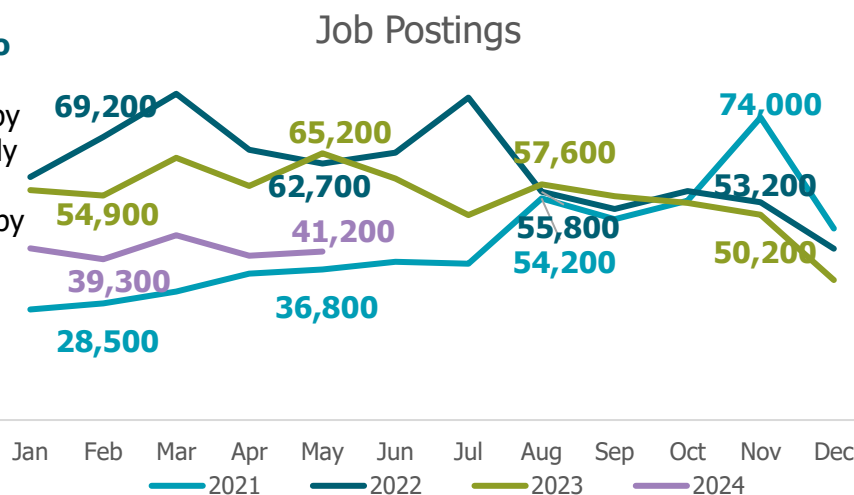
- Project Management;
- Finance; and
- Auditing.

Public and private sector postings in May:

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

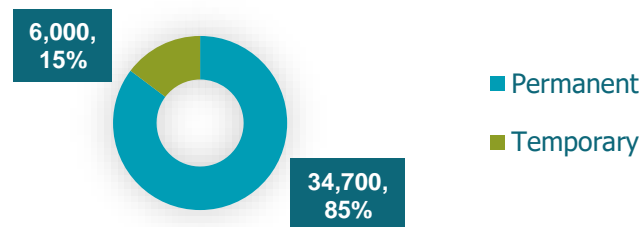
¹ Lightcast (June 2024). Lightcast gathers insights from online job postings. Please note May 2024 job postings are provisional.

² Numbers rounded to the nearest 100.



Job Postings in Scotland, May 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.

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:

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