

**Debate Pack**

8 October 2024

Number CDP-2024-0126

By Daniel Harari,  
Annalise Murray

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# Scotland's economy

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**Summary**

There will be a Westminster Hall debate on Scotland's economy on Tuesday 15th October at 9:30am. The debate will be opened by John Grady MP.

# 1 Background

## 1.1 Overview of key statistics

### Population

Scotland's population is estimated by the Office for National Statistics (ONS) to be 5.5 million in mid-2023, or 8% of the UK population.<sup>1</sup>

### GDP

The value of economic output, as measured by gross domestic product (GDP), in Scotland was £187 billion in 2022, 7.5% of the UK's GDP.<sup>2</sup> These figures are from the ONS and are the most recent available.<sup>3</sup> These data don't assign offshore economic activity, such as oil and gas extraction in the North Sea, to any UK nation or English region.

The Scottish Government also publishes estimates for Scottish GDP, including some with estimates for offshore economic activity. The latest estimate for GDP in Scotland was £218 billion in 2023 when including its own calculation allocating offshore activity to Scotland on the basis of geographic share.<sup>4</sup> On this basis, Scotland's GDP would be approximately 8% of UK GDP in 2023.<sup>5</sup>

### Economic sectors

The breakdown of Scotland's economy by sector is broadly similar to the UK. For example, services sectors account for 77.1% of Scottish GDP, compared with 80.5% for the UK.<sup>6</sup> A higher proportion of employment in Scotland is in the public sector (22%) compared with the UK average (18%).<sup>7</sup>

### Wages

Average wages for full-time employees in Scotland was £702 per week in April 2023 (the most recent data).<sup>8</sup> This compares with a UK average of £682.<sup>9</sup>

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<sup>1</sup> ONS [Population estimates for the UK, England, Wales, Scotland and Northern Ireland: mid-2023](#), 8 October 2024

<sup>2</sup> ONS dataset, [Regional gross domestic product: all ITL regions](#), table 5, April 2024

<sup>3</sup> ONS, [Regional economic activity by gross domestic product, UK: 1998 to 2022](#), April 2024

<sup>4</sup> Scottish Government, [GDP Quarterly National Accounts: 2024 Quarter 1 \(January to March\)](#), supplementary tables, table 10, July 2024

<sup>5</sup> For further information on offshore GDP see Fraser of Allander Institute, [A Guide to Scottish GDP](#)

<sup>6</sup> Commons Library research briefing, [Industries in the UK](#), 3 October 2024 update

<sup>7</sup> ONS dataset, [Public sector employment](#), 10 September 2024, table 6

<sup>8</sup> The [median](#) wages is used here

<sup>9</sup> Commons Library research briefing, [Average earnings by age and region](#), using ONS [ASHE data](#)

## Summary table

Summary of economic indicators		Scotland	UK
<b>Population</b>			
2023 mid-year estimates	Millions	5.5	68.3
<b>Economy</b>			
Total output (GDP), 2022	£ billions	187	2,506
Total output (GDP) per head, 2022	£	34,299	37,076
Economic Growth (GDP), 2010-22**	Annual ave real terms % ch.	1.2%	1.6%
<b>Forecast economic growth (GVA, real terms)*</b>			
2024	% change on year	0.8%	1.1%
2024-33**	Average annual % change	1.4%	1.6%
<b>Labour market, May-July 2024</b>			
Employment level	Thousands	2,675	33,232
Employment rate	% of population aged 16-64	74.2%	74.8%
Unemployment level	Thousands	118	1,437
Unemployment rate	% of economically active	4.2%	4.1%
Median weekly earnings, 2023	£, full time employees	702	682
<b>Industries - employment</b>			
Manufacturing, Apr - Jun 2024	% of total jobs	6.3%	7.0%
Public sector, Apr - Jun 2024	% of total employment	22.1%	17.9%
<b>House prices, July 2024</b>			
Average	£	199,000	290,000
Annual change	% change on year	6.0%	2.2%
<b>Fiscal indicators, 2022/23</b>			
Public sector revenue per head	£	15,929	15,227
Public sector expenditure per head	£	19,353	17,121
Net fiscal balance per head	£ ('+' is surplus; '-' is deficit)	-3,424	-1,894
<b>Businesses</b>			
Number of businesses, 2024	Thousands	355	5,499
Annual % change in businesses, 2024	% change on year	19.0%	-1.0%

\* Forecasts from Oxford Economics (Jul 2024); \*\* Annual ave growth is a compound average

Note: GDP figures are from the ONS and do not include offshore economic activity for Scotland

Source: This table is taken from Commons Library statistical briefing [Regional and National Economic Indicators](#). For detailed sources see section 14 'Notes and sources' of that briefing.

## 1.2

## Recent trends and developments

**GDP growth**

Economic growth in Scotland rebounded over the first half of 2024 after weakness in 2023, when the effects of high inflation constrained activity. GDP in Scotland increased by 0.6% in the second quarter (Q2) of 2024 compared with the previous quarter. This was similar than the 0.5% recorded for Q1 2024.<sup>10</sup>

These figures are similar to quarterly GDP growth in the UK of 0.7% in Q1 2024 and 0.5% in Q2 2024.<sup>11</sup>

Scottish GDP is 2.1% larger in Q2 2024 than the pre-pandemic peak level of Q4 2019. This compares with the UK economy being 2.9% larger over the same period.

Compared with 10 years ago, the Scottish economy has also grown more slowly than the UK overall. GDP in Scotland is 8.4% larger in Q2 2024 compared with Q2 2014, whereas UK GDP is 14.3% larger.<sup>12</sup>

The Fraser of Allander Institute forecasts GDP growth in Scotland of 0.9% in 2024 and 1.1% in 2025.<sup>13</sup> Forecasts for 2024 have been upgraded from earlier in the year due to the stronger-than-expected outturn in the first half of 2024.<sup>14</sup> Other prominent forecasters, for example from the EY consultancy and the National Institute of Economic and Social Research, also expect economic growth of around 1% in 2024 overall.<sup>15</sup>

**Labour market**

The unemployment rate in Scotland was 4.2% in the three-month period from May to July 2024.<sup>16</sup> This was similar to the UK figure of 4.1%.

The economic inactivity rate – the proportion of those aged 16 to 64 who are not in work and are not seeking work – in Scotland was 22.3% in the three

<sup>10</sup> Scottish Government, [GDP First Quarterly Estimate 2024 Q2 \(April to June\)](#), 28 August 2024

<sup>11</sup> ONS, quarter-on-quarter change in real (inflation-adjusted) GDP, series [IHYO](#) (30 Sep 2024)

<sup>12</sup> Scottish Government, [GDP First Quarterly Estimate 2024 Q2 \(April to June\)](#), 28 August 2024, table 1.1 and ONS, real GDP level, series [ABMI](#) (30 Sep 2024)

<sup>13</sup> Fraser of Allander Institute, [FAI Economic Commentary Q3 2024](#), 4 October 2024

<sup>14</sup> Fraser of Allander Institute, [Economic growth stutters after a steady start to 2024](#), 4 October 2024

<sup>15</sup> EY, [Scotland forecast revised upwards with GDP highest since pandemic](#), 14 Aug 2024 and NIESR, [UK economic outlook](#), 7 August 2024

<sup>16</sup> SPICe Spotlight, [Labour market update](#), 10 September 2024, summarising [data from the ONS](#)

months to July 2024, up a little on a year ago, and similar to the UK figure of 21.9%.<sup>17</sup>

## Scottish Government's economic strategy

The Scottish Government's 10-year National Strategy for Economic Transformation sets out to create a "more prosperous, fairer and greener economy that works for everyone".<sup>18</sup>

The strategy was introduced in 2022, with progress reports published every year. The Scottish Parliamentary Information Centre article, [How is the Scottish Government's economic strategy progressing?](#), provides an overview of the strategy and progress to date.<sup>19</sup>

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<sup>17</sup> Due to issues with the ONS labour force survey (see Commons Library briefing [UK Labour Market Statistics](#) for more), the source of these figures, there are concerns over the quality of these statistics. For example see Scottish Fiscal Commission, [Fiscal Update – August 2024](#) (PDF), para 3.14

<sup>18</sup> Scottish Government, [Scotland's National Strategy for Economic Transformation](#), March 2022; quote taken from Scot Govt, [Transforming the economy](#) [accessed 11 October 2024]

<sup>19</sup> SPICe Spotlight, [How is the Scottish Government's economic strategy progressing?](#), 20 August 2024

## 2

## Press articles

[Scottish economy employment growth near top of UK league](#)

Ian McConnell

The Herald, 9 October 2024

[Scottish retail sector remained in 'doldrums' last month, new figures reveal](#)

Lucinda Cameron

The Independent, 8 October 2024

[Interest-rate cut sends house prices surging in Scotland](#)

Greig Cameron

The Times, 1 October 2024

[National parks 'are huge boost to Scottish economy'](#)

Jeremy Watson

The Times, 23 September 2024

[Ten years after the no vote, can Scotland engineer a case for independence?](#)

Larry Elliott

The Observer, 15 September 2024

[The challenges of changing Scotland's economy](#)

Douglas Fraser

BBC, 13 September 2024

[SNP unveils £500mn of cuts as it warns of 'new era of austerity' for Scotland](#)

Simeon Kerr, Lukanyo Mnyanda

Financial Times, 3 September 2024

['People are walking away': UK windfall tax hits North Sea oil investment](#)

Lukanyo Mnyanda

Financial Times, 20 August 2024

[Scotland's net fiscal deficit widens to £22.7bn: Increase to 10.4% of GDP highlights vulnerability of country's finances to moves in global oil market](#)

Simeon Kerr

Financial Times, 14 August 2024

[Scotland must embrace 'ambitious' industrial strategy, say economists](#)

Ross Hunter

The National, 3 August 2024

[Scottish economy forecast to grow faster than last year](#)

Neil Pooran

The Herald, 17 July 2024

[Scottish economy is 'standout' performer in UK – revealed](#)

Ian McConnell

The Herald, 10 June 2024

[Councils face shortfall of £585m, spending watchdog says](#)

Louise Wilson

Holyrood.com, 15 May 2024

[Scottish port redevelopment under way after £100mn credit injection](#)

Simeon Kerr

Financial Times, 13 May 2024

[Scottish economy to grow less quickly than expected](#)

Greig Cameron

The Times, 8 May 2024

[The paradox at the heart of Scotland's economic strategy](#)

Rory Hamilton

The National, 5 May 2024

[The Scottish economy: 'Poor but improving'](#)

Douglas Fraser

BBC, 28 March 2024



## 3 Parliamentary material

### 3.1 Parliamentary questions

#### [Economic growth](#)

HC Deb 4 September 2024, c 295-96

#### [Question for Department for Business and Trade: Whisky: Scotland: UIN 1781](#)

Asked by Andrew Bowie

Asked on 25 July 2024

To ask the Secretary of State for Business and Trade, what recent assessment his Department has made of the value of the Scotch whisky industry to the economy.

Answered by Gareth Thomas

Answered on 31 July 2024

According to research published by the Scotch Whisky Association, the Scotch Whisky industry contributed £7.1 billion to the UK economy in 2022, supporting 66,000 jobs across the UK. Scotch Whisky is also the UK's leading food and drink export, with exports valued at £5.6 billion in 2023. My department continues to support this economically vital industry by opening new markets, tackling trade barriers and challenging unfair trade practices around the world to maximise international opportunities.

#### [Question for Scotland Office: Renewable Energy: Scotland: UIN 542](#)

Asked by Martin McCluskey

Asked on 17 July 2024

To ask the Secretary of State for Scotland, what recent estimate he has made of the value to the Scottish economy of the renewable energy sector; and what steps he plans to take to support that sector.

Answered by Ian Murray

Answered on 24 July 2024

The renewable energy sector supports economic activity throughout its supply chains and this economic activity supports wage spending across Scotland. According to the Fraser of Allander Institute, a leading think-tank, Scotland's renewable energy industry and its supply chain supported an estimated 42,000 jobs and contributed over £10.1 billion to the economy in 2021. Scotland's renewables industry continues to contribute significantly to the UK economy, and has a growing role to play as we realise the UK Government's ambition of becoming a clean energy superpower by 2030. The establishment of GB Energy, publicly owned and headquartered in Scotland, will further support and turbocharge the sector.

[Economic Growth in Scotland](#)

HC Deb 6 February 2024, c 102-103

[Scottish Economy](#)

HC Deb 24 January 2024, c 283-285

## 3.2 Scottish Parliament debates

[Growing the Economy](#)

19 June 2024

[Scotland's Economy](#)

13 March 2024

[Green Economy](#)

24 January 2024

## 3.3 Select Committee reports

[Cost of living: impact on rural communities in Scotland](#)

House of Commons Scottish Affairs Committee, 24 January 2024, HC 153.

The [Government Response](#) was published on 18 April 2024.

## 3.4

### Library publications

#### [Regional and National Economic Indicators](#)

House of Commons Library, 8 October 2024

#### [The Barnett formula and fiscal devolution](#)

House of Commons Library, 29 May 2024

## 4 Further reading

### [Industry statistics](#)

Scottish Government, 8 October 2024

### [FAI Economic Commentary Q3 2024](#)

Fraser of Allander Institute, 4 October 2024

### [Scotland's exports – policy and statistics](#)

Scottish Parliament Information Centre, 10 September 2024

### [Fiscal pre-budget update: Cabinet Secretary for Finance - 3 September 2024](#)

Scottish Finance Secretary, 3 September 2024

### [Immediate response to the Scottish Finance Minister's announcement of in-year spending cuts](#)

Institute for Fiscal Studies, 3 September 2024

### [Fiscal Update – August 2024](#)

Scottish Fiscal Commission

### [GDP First Quarterly Estimate 2024 Q2 \(April to June\)](#)

Scottish Government, 28 August 2024

### [Government Expenditure and Revenue Scotland \(GERS\) 2023-24](#)

Scottish Government, 14 August 2024

[Lower oil and gas prices hit Scotland's underlying public finances in 2023-24](#)

Institute for Fiscal Studies, 14 August 2024

[Economic inactivity and ill health in Scotland](#)

Scottish Parliament Information Centre, 4 January 2024

[Scottish Budget 2024-25](#)

Scottish Parliament Information Centre, 4 January 2024

[Explainers to topics related to Scottish public finances](#)

Scottish Fiscal Commission

[Tipping the scales: The social and economic harm of poverty in Scotland](#)

IPPR Scotland, May 2023

[Investigating the factors driving Scotland's productivity gap with international countries](#)

National Institute of Economic and Social Research (NIESR)/Scottish Government, September 2022

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