Overview

1. Introduction – Dame Susan Rice, chair

2. Scotland’s Economic and Fiscal Forecasts – John Ireland, Chief Executive

3. Question and Answer

Aim to finish for 11 AM
Pre-arranged interviews with Dame Susan Rice
Scotland’s Economic and Fiscal Forecasts

John Ireland
Economy Forecasts
# Economy Forecasts

<table>
<thead>
<tr>
<th>Economy</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2023</th>
<th>% growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP</td>
<td>0.8%</td>
<td>0.7%</td>
<td>0.8%</td>
<td>0.9%</td>
<td>Growth remains subdued and below 1.0 per cent for the forecast horizon</td>
</tr>
<tr>
<td>Trend Productivity</td>
<td>0.0%</td>
<td>0.2%</td>
<td>0.5%</td>
<td>1.1%</td>
<td>Productivity picks up after two years of weak performance in 2016 and 2017</td>
</tr>
<tr>
<td>Nominal Wages</td>
<td>1.1%</td>
<td>1.6%</td>
<td>1.8%</td>
<td>3.2%</td>
<td>Weaker wages profile over the early years of the forecast feeds through to income tax</td>
</tr>
<tr>
<td>Real Wages</td>
<td>-1.0%</td>
<td>-0.5%</td>
<td>0.0%</td>
<td>1.2%</td>
<td>Real wage growth continues to be negative in 2018, before levelling off in 2019 and starting to grow slowly from 2020 onwards</td>
</tr>
<tr>
<td>Employment</td>
<td>1.2%</td>
<td>0.4%</td>
<td>0.0%</td>
<td>0.1%</td>
<td>Employment growth slows down, reflecting a falling 16-64 population and employment rates close to historic highs</td>
</tr>
</tbody>
</table>
Economy – Trend Productivity

Pre-2008 average growth
Post-2008 average growth
Outturn
SFC forecast
Scottish Fiscal Commission
Economy – Growth in Potential Output
Economy – GDP and GDP per person
Economy – GDP and GDP per person

![Graph showing annual growth rate (%)]

**GDP growth (Scotland)**

**GDP growth (UK)**

**GDP per person growth (Scotland)**

**GDP per person growth (UK)**
Economy – GDP and GDP per person

- GDP growth (Scotland)
- GDP growth (UK)
- GDP per person growth (Scotland)
- GDP per person growth (UK)
- GDP per person 16-64 growth (Scotland)
- GDP per person 16-64 growth (UK)
Economy – UK/EU Relationship

• The UK leaves the EU in March 2019

• New trading arrangements with the EU and others slow the pace of import and export growth

• The UK adopts a tighter migration regime than that currently in place

• Weighs on productivity growth and investment
Real Wages in Scotland
Tax Forecasts
## Tax Forecasts

<table>
<thead>
<tr>
<th>Tax</th>
<th>2016-17</th>
<th>2017-18</th>
<th>2018-19</th>
<th>2023-24</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income Tax</td>
<td>11,267</td>
<td>11,467</td>
<td>11,969</td>
<td>14,547</td>
</tr>
<tr>
<td>Non-Domestic Rates</td>
<td>2,731</td>
<td>2,774</td>
<td>2,788</td>
<td>3,339</td>
</tr>
<tr>
<td>LBTT</td>
<td>484</td>
<td>550</td>
<td>614</td>
<td>827</td>
</tr>
<tr>
<td>Scottish Landfill Tax</td>
<td>148</td>
<td>142</td>
<td>114</td>
<td>88</td>
</tr>
</tbody>
</table>

### £ million

- **Income Tax**: In 2018-19, Income tax revenue is expected to be £209 million lower compared to our February 2018 forecast.
- **Non-Domestic Rates**: NDR income collected in 2018-19 is expected to be £24 million lower compared to our December 2017 forecast.
- **LBTT**: Residential and non-residential LBTT forecasts have been revised up due to higher prices from 2018-19 onwards.
- **Scottish Landfill Tax**: Reductions in the amount of waste landfilled and subsequent tax receipts are expected over the forecast horizon.
Change in 2018-9 Income Tax Forecast

- Economy forecast: -£317m
- Other developments: +£108m
- May 2018: £12,000 million
- February 2018: £11,700 million

£ million
Income Tax Forecasts – SFC and OBR
Social Security
# Social Security Forecasts

<table>
<thead>
<tr>
<th>Social security</th>
<th>2016-17</th>
<th>2017-18</th>
<th>2018-19</th>
<th>2023-24</th>
<th>£ million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carer’s Allowance (inc. Supplement)</td>
<td>234</td>
<td>248</td>
<td>302</td>
<td>395</td>
<td></td>
</tr>
<tr>
<td>Discretionary Housing Payments</td>
<td>50</td>
<td>60</td>
<td>61</td>
<td>69</td>
<td></td>
</tr>
<tr>
<td>Scottish Welfare Fund</td>
<td>33</td>
<td>33</td>
<td>33</td>
<td>33</td>
<td></td>
</tr>
<tr>
<td>Employability</td>
<td>0</td>
<td>11</td>
<td>20</td>
<td>0</td>
<td></td>
</tr>
</tbody>
</table>

The Carer’s Allowance Supplement is introduced in 2018-19. Uprating and an increase in claimants also increases spend.

The costs of mitigating the Removal of the Spare Room Subsidy increase over the period.

The Scottish Welfare Fund is assumed to remain constant over the forecast period, based on SG policy.

Two interim services ran in 2017-18. Fair Start Scotland then started in April 2018, with peak spending forecast for 2020-21.
Carer’s Allowance, Supplement & Uprating (£ million)