

Kenneth Gibson MSP
Convener
Finance and Public Administration Committee
Scottish Parliament
Edinburgh
EH99 1SP

15 July 2021
Sent via email

Dear Convener,

Today we have published the first of two Forecast Evaluation Reports, assessing our February 2020 forecasts of 2020-21 for Social Security, Land & Buildings Transaction Tax and Scottish Landfill Tax as well as our forecast of the Scottish Economy in 2020.

These forecasts were published in early February 2020 – a month before the first COVID-19 lockdown. The nature and scale of the policy response to the public health crisis, including the introduction of some new tax and social security policies, was both unprecedented and frequently varying in the light of rapidly changing health data.

Consequently the Commission's forecasts had very large divergences from the outturn data. In February 2020, the Commission forecast the Scottish economy would grow by 1.0 per cent in 2020. The latest data show that COVID-19 and the associated public health restrictions led to the Scottish economy shrinking by 9.6 per cent in 2020, a forecast error of -10.6 percentage points.

However, once the effects of COVID-19 are removed the remaining divergences in the Commission's forecasts are small and our report draws some lessons from looking in detail at our forecasts.

We have brought forward the publication of this report to take advantage of the outturn data that are already available. However, outturn data for 2019-20 income tax and 2020-21 data for Non-Domestic Rates were not available for evaluations to be included in this publication. We will publish a supplementary evaluation of these forecasts on 26 August, alongside our next set of forecasts.

We look forward to discussing all three reports with you at our Committee appearance at the end of August.

Yours sincerely,

A handwritten signature in black ink, reading "Susan Rice".

Dame Susan Rice DBE