

January 2021

Looking ahead: Scotland's Economic and Fiscal Forecasts



Overview

1. Introduction – David Ulph
2. Scotland's Economic and Fiscal Forecasts – Alasdair Smith
3. Question and Answer session – David Ulph, Alasdair Smith, Francis Breedon, Claire Murdoch, David Stone.

COVID-19 Judgements

Central COVID-19 assumptions

Q1

- UK-wide lockdown continues

Q2

- Restrictions eased, all vulnerable groups vaccinated (at least once) and deaths return gradually to mid-2020 levels

Q3

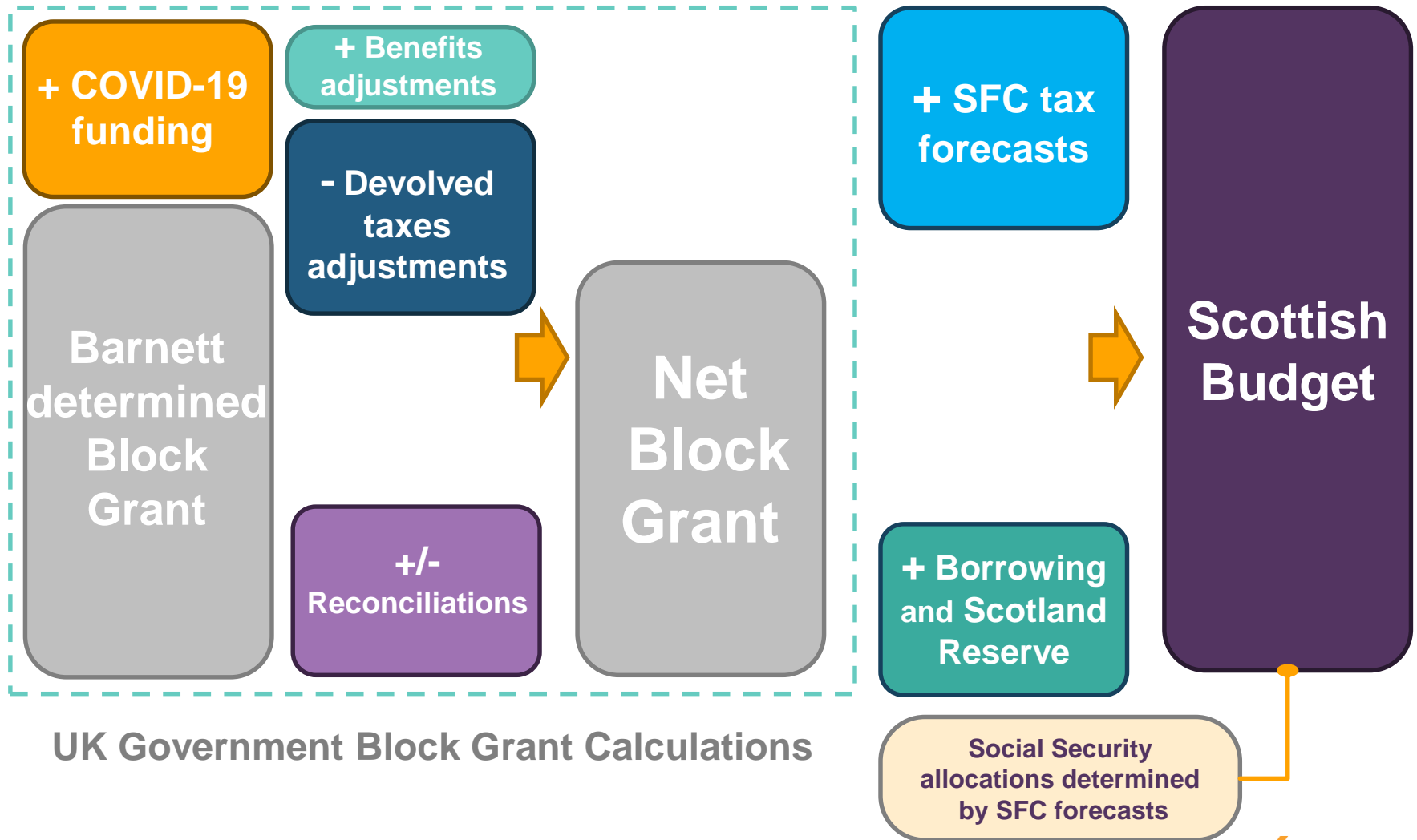
- Further easing of restrictions, no subsequent wave of infections

Q4

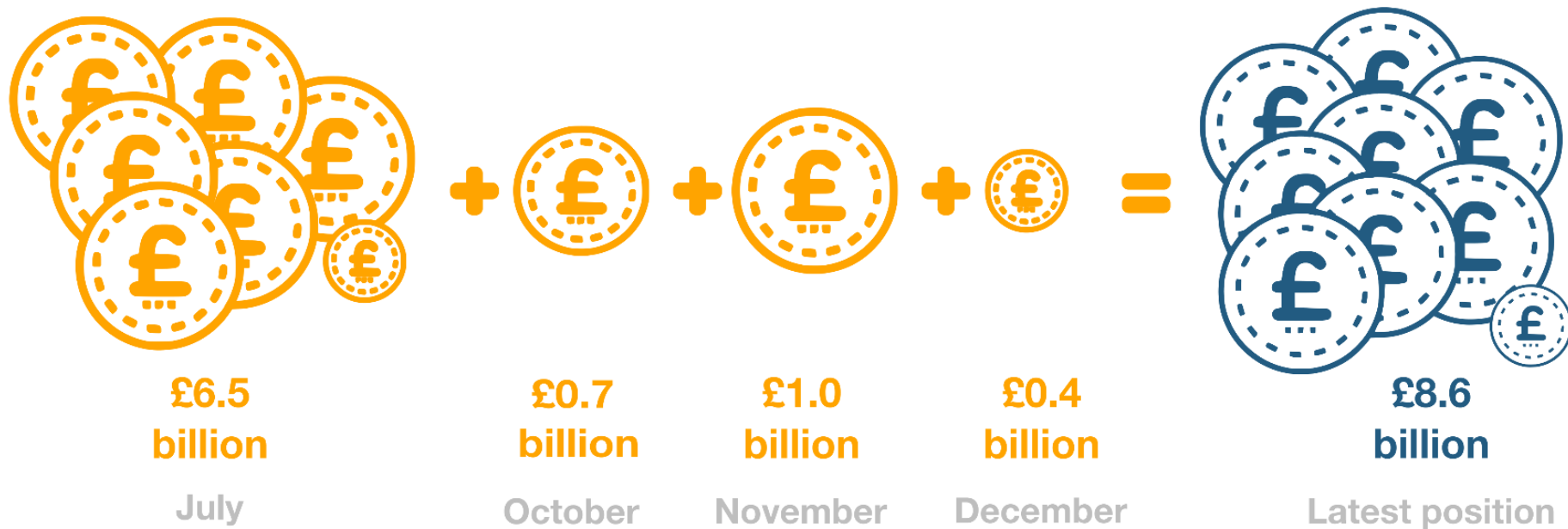
- All adult population vaccinated, strict health restrictions removed, some limits remain on international travel

The overall budget position

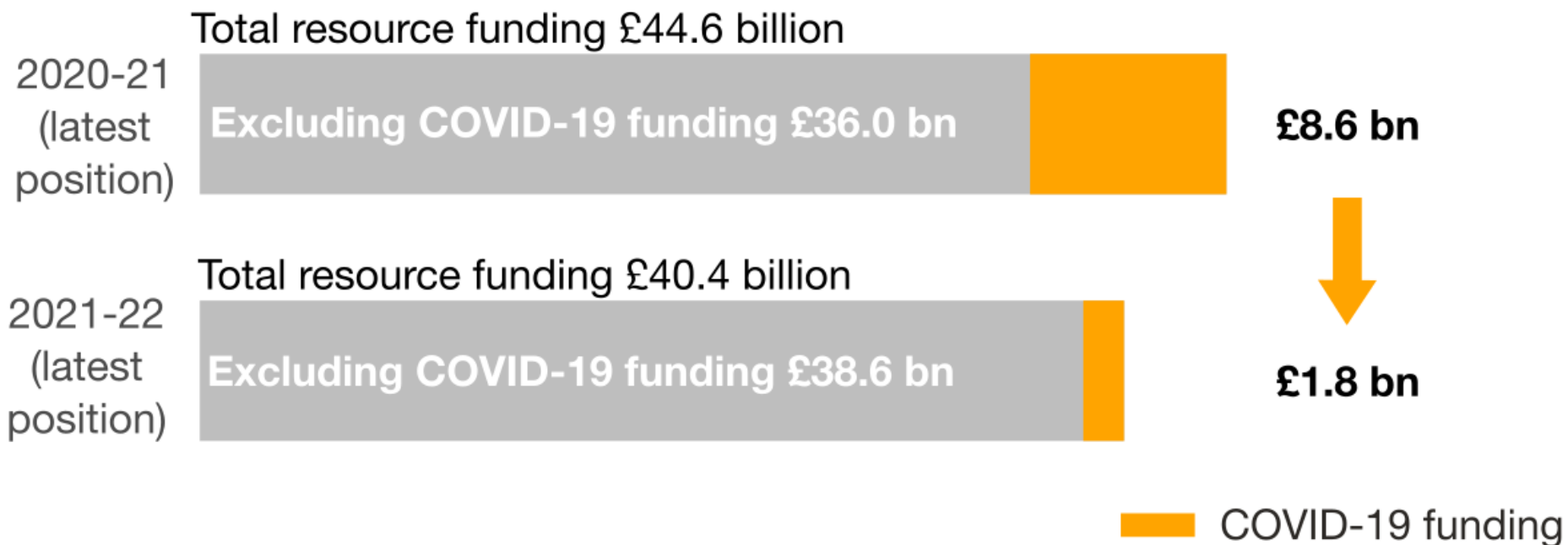
The Scottish Budget



COVID-19 funding in 2020-21



What about 2021-22?







2021-22 Budget

£ million	Resource	Capital	Total
Barnett-determined block grant and non-COVID funding	30,923	4,973	35,896
Other and non-Barnett funding	1,002	0	1,002
COVID-19 funding	1,828	0	1,828
Borrowing	319	450	769
Scotland reserve drawdown	231	200	431
SFC tax forecasts	12,937		12,937
Tax BGAs [1]	-12,430		-12,430
Social security BGAs	3,310		3,310
Final reconciliations	-319		-319
NDR distributable amount	2,631		2,631
Financial transactions		208	208
Total funding	40,431	5,831	46,262

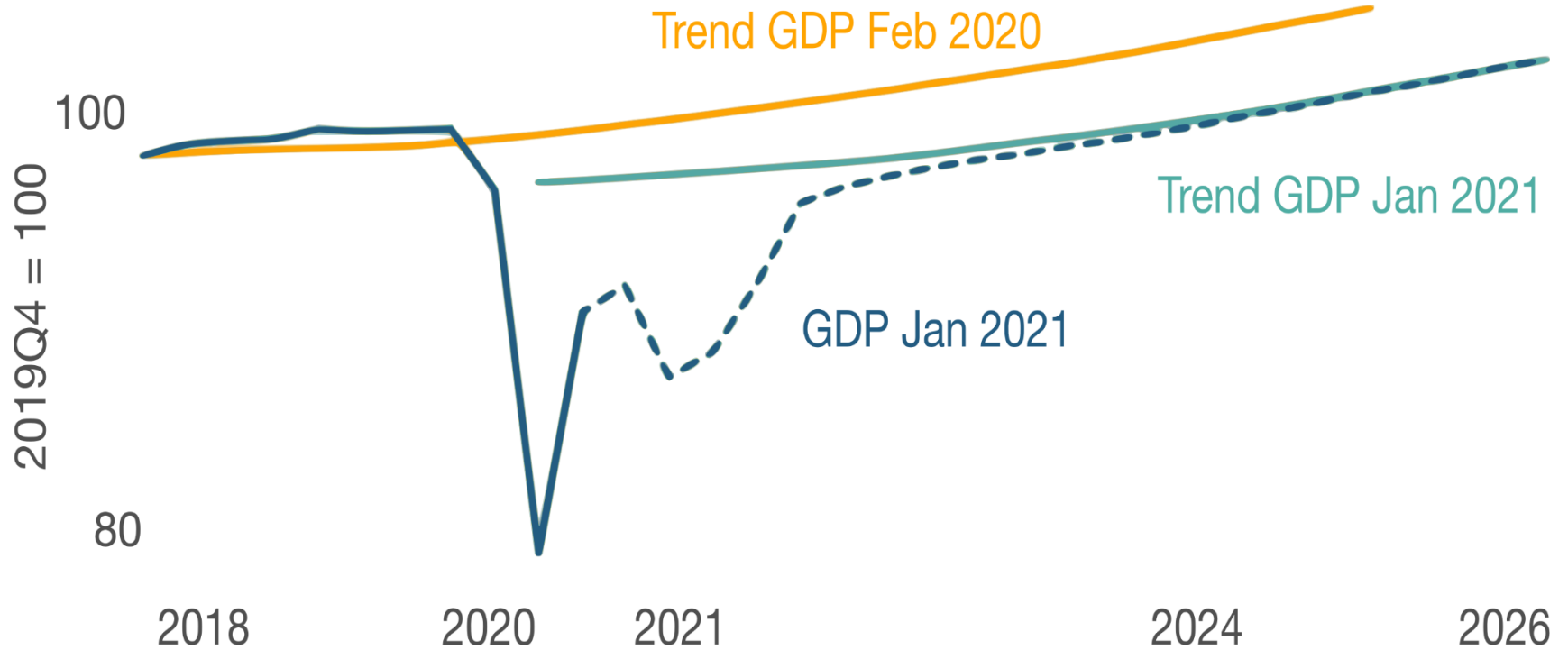
[1] Also includes fines, forfeitures and fixed penalties BGAS

Our economy forecast

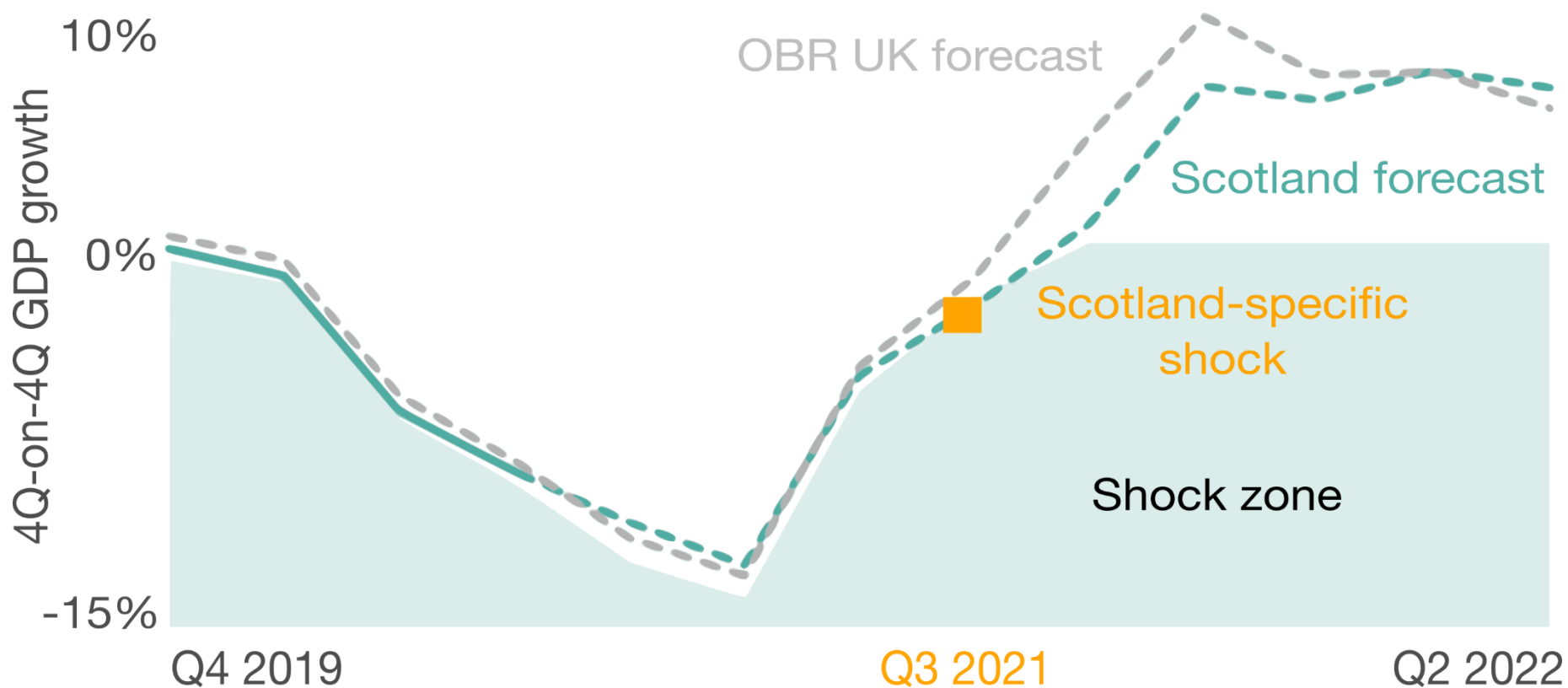
Headline economy forecasts

		2020	2021	2022	2025	% growth
	GDP	-10.7	1.8	7.5	1.7	GDP growth, shocked in 2020 by restrictions on economic activity, rebounds in 2022 before stabilising.
	Trend Productivity	0.0	0.2	0.4	1.6	Trend productivity is subdued in the short term and then gradually rises.
	Nominal Earnings	2.5	2.6	2.4	3.3	Average nominal earnings growth is supported by the furlough scheme in 2020 and then increases gradually.
	Employment	-2.4	-1.5	1.2	0.2	Growth revised down in 2020 and 2021 to account for the effects of COVID-19 on the labour market

GDP

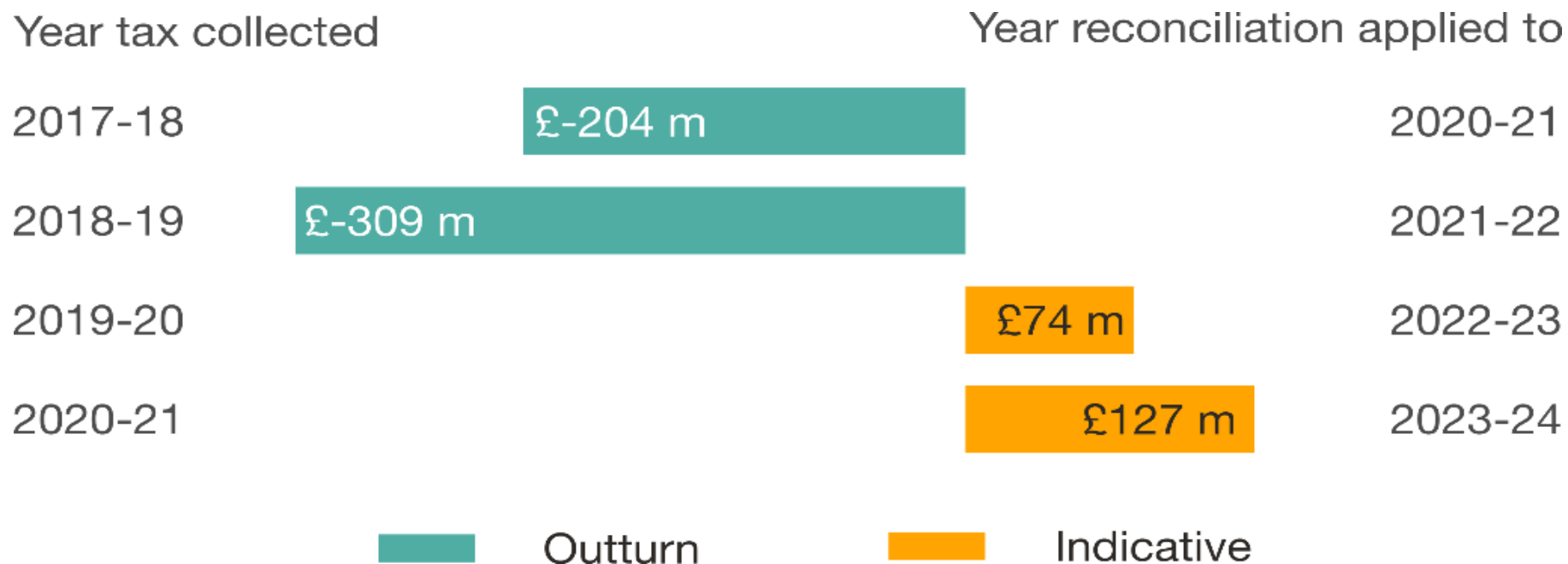


Scottish-specific economic shock

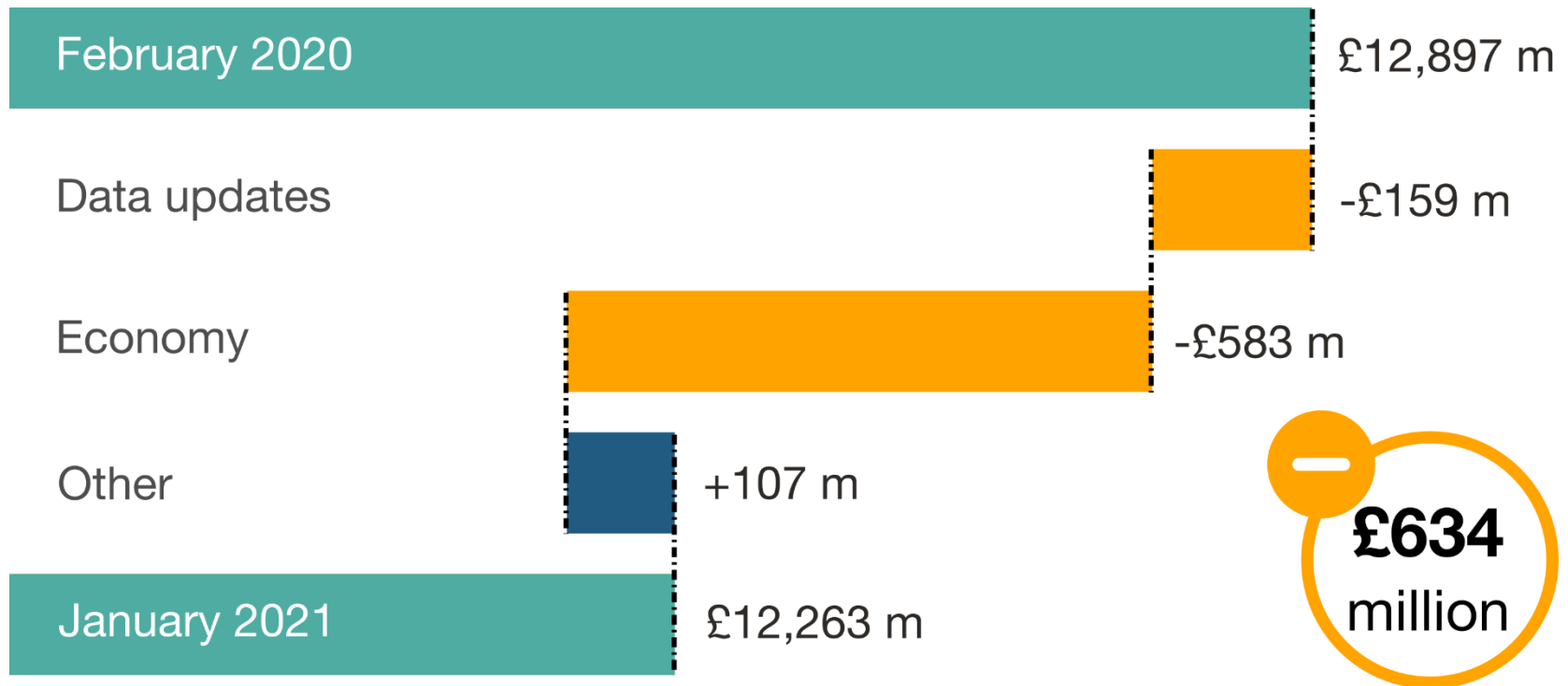


Income tax and other devolved taxes

Income tax reconciliations






2021-22 revised down £634 million




Tax contributions to Scottish budget 2021-22

£ million		Income tax	LBTT	SLfT
February 2020	BGA	-12,742	-597	-85
	Scottish revenue	12,897	666	110
	Difference	155	69	25
January 2021	BGA	-11,788	-515	-95
	Scottish revenue	12,263	586	88
	Difference	475	71	-7
Change	BGA	954	82	-10
	Scottish revenue	-634	-80	-21
	Difference	320	2	-32

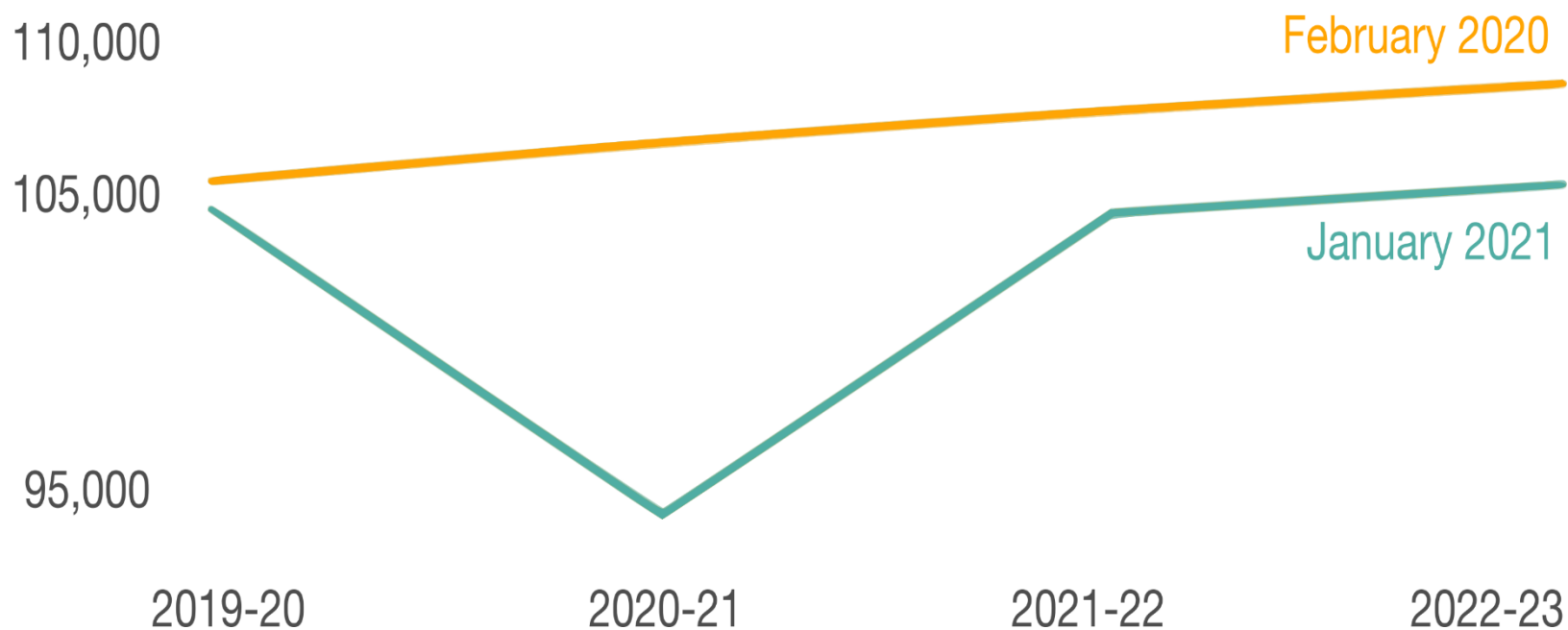
Other devolved taxes

£ million		2020-21	2021-22	2022-23	2025-26
	Non-Domestic Rates	1,848	2,680	2,930	3,216
	LBTT	517	586	629	740
	Scottish Landfill Tax	95	88	86	61

Policy Announcements

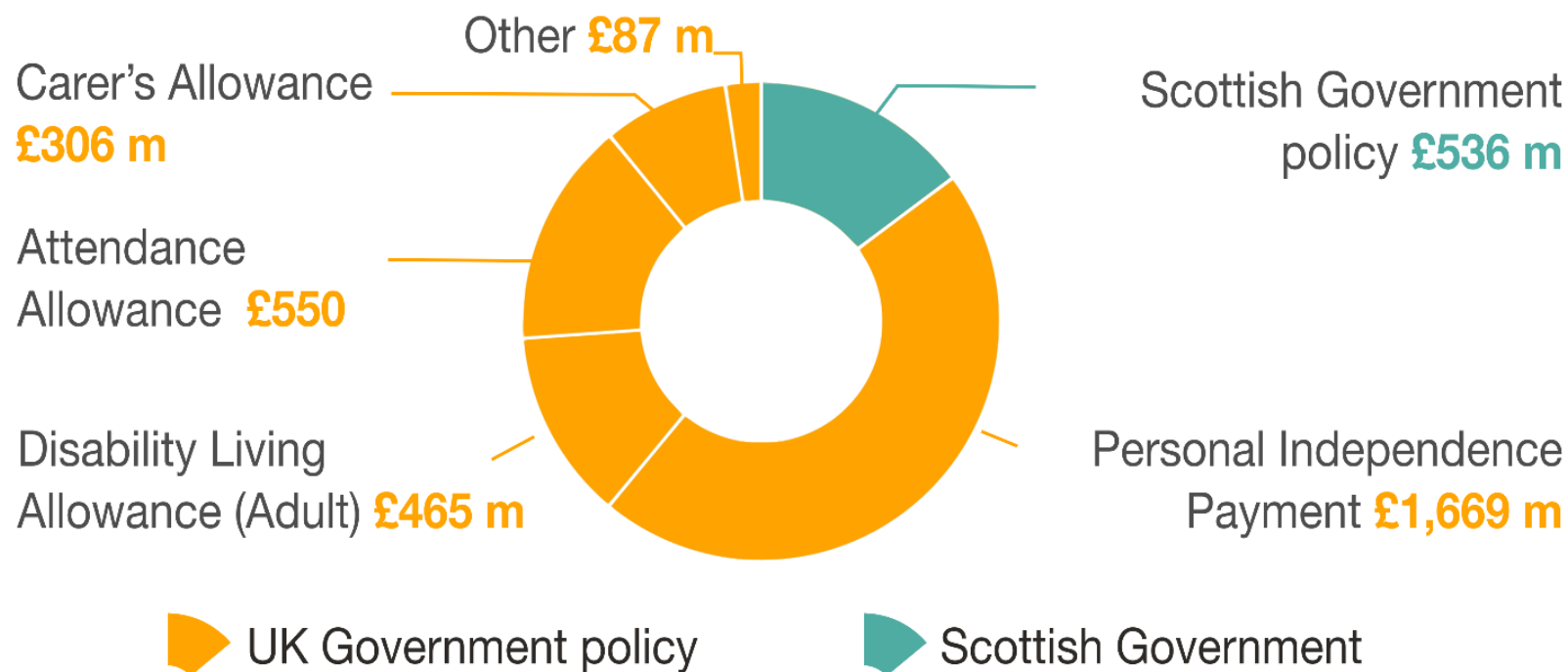
	Non-Domestic Rates		-251	-67	-73
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Residential housing transactions

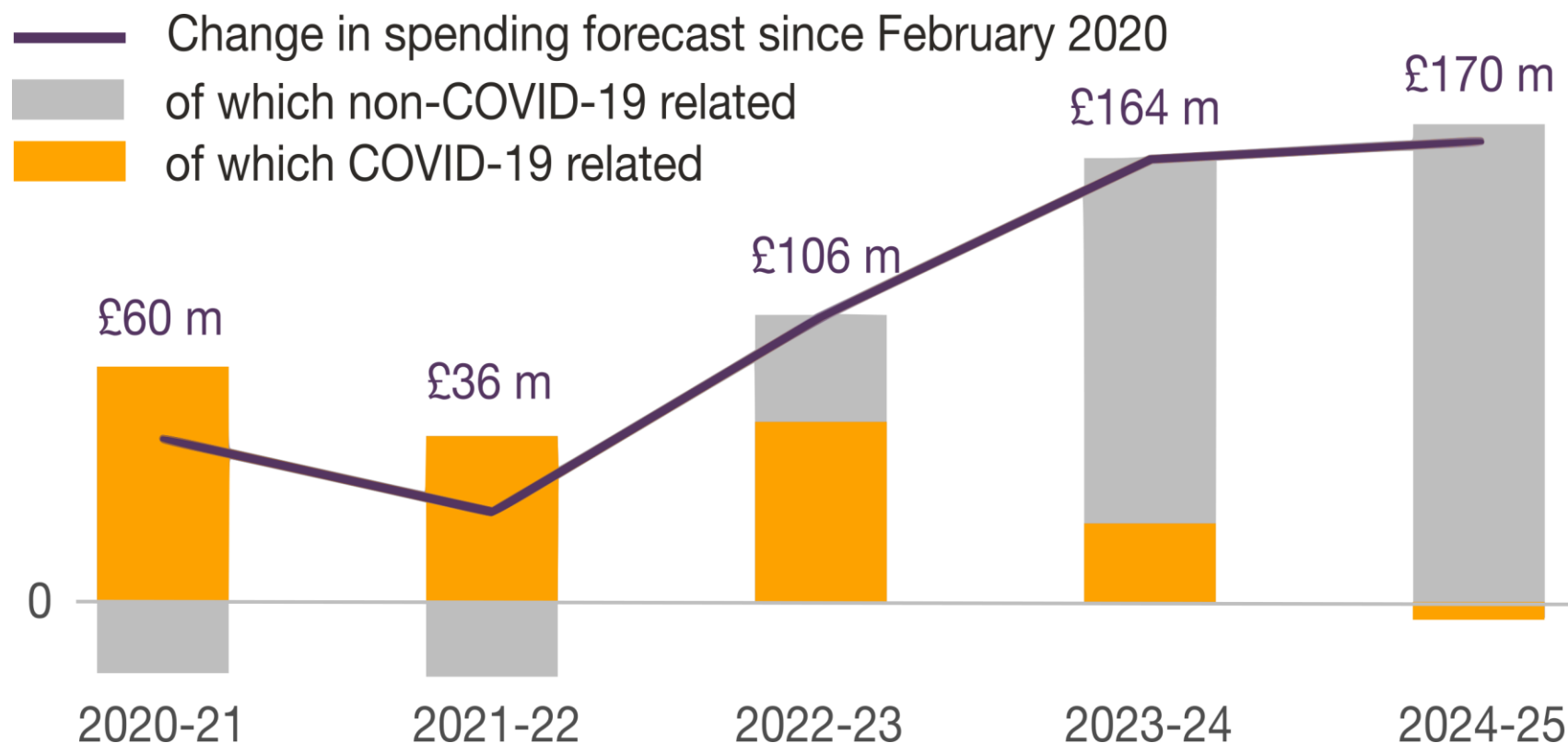



Social security

Social security – spending in 2021-22



Social security – effect of COVID-19



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