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Claire Baker MSP
Convener
Economy and Fair Work Committee
The Scottish Parliament
Edinburgh
EH99 1SP

26 August 2021
Sent via email

Dear Convener,

Today the Scottish Fiscal Commission has published three reports. [Scotland's Economic and Fiscal Forecasts – August 2021](#) gives our latest forecasts for the economy, tax revenues and social security spending. Usually we would have produced a forecast in May, but this was not possible given the Scottish Parliament election, and following a recommendation from the Finance and Constitution Committee we committed to publishing a forecast in August.

Our [Fiscal Update](#), sets out the latest position for the 2020-21 and 2021-22 Scottish Budgets in light of funding changes and outturn data since March.

The [Supplementary Forecast Evaluation Report](#) looks at our forecast error for income tax in 2019-20 and Non-Domestic Rates in 2020-21. This completes our annual forecast evaluation exercise, which was otherwise covered in our July [Forecast Evaluation Report](#).

Our new forecasts extend to 2026-27 and are the second set we have produced since the start of the COVID-19 pandemic. With the success of the vaccination programme the outlook for the economy is more positive than in our January 2021 forecasts.

We now expect GDP to return to its pre-COVID level by mid-2022, two years earlier than we forecast in January, and for longer-term scarring to be less significant, but the path out of the pandemic is unlikely to be smooth and significant risks remain. We have made a significant increase to our inflation forecast, and it is unclear how the labour market will respond when the exceptional level of government support comes to an end.

We are committed to being independent, transparent, accessible and open. We are holding an online public event next month, and alongside our reports we have published infographics, a summary document and a full set of tables giving all the underlying data.

Yours sincerely,

A handwritten signature in black ink that reads "Susan".

Dame Susan Rice DBE