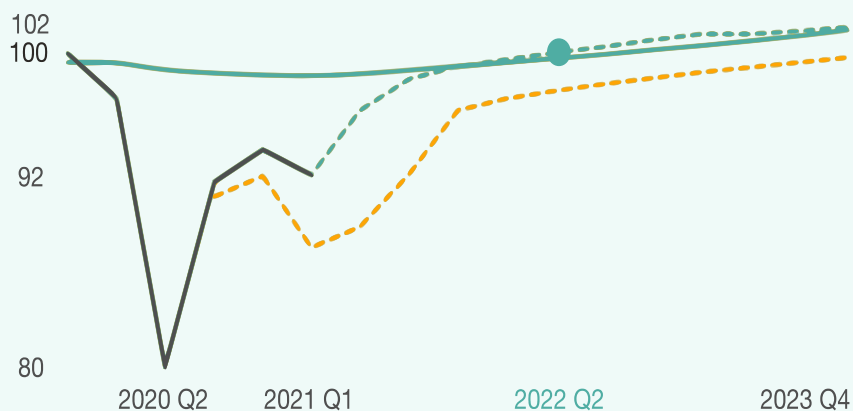


Quick Visual Guide

Scotland's Economic and Fiscal Forecasts

August 2021

GDP returns to pre-pandemic levels in 2022 Q2

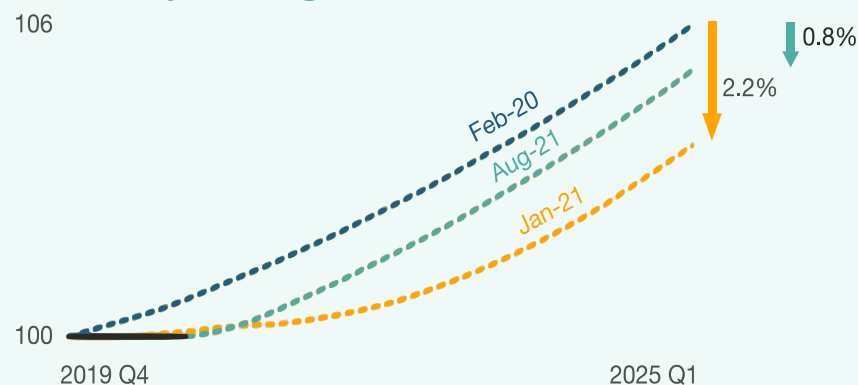


Economy

Since January 2021, the public health and economic outlook has significantly improved. With COVID-19 restrictions being lifted at a faster pace than anticipated, the economy has recovered more rapidly.

We now expect GDP to reach its pre COVID level in 2022 Q2, almost two years earlier than we forecast in January 2021.

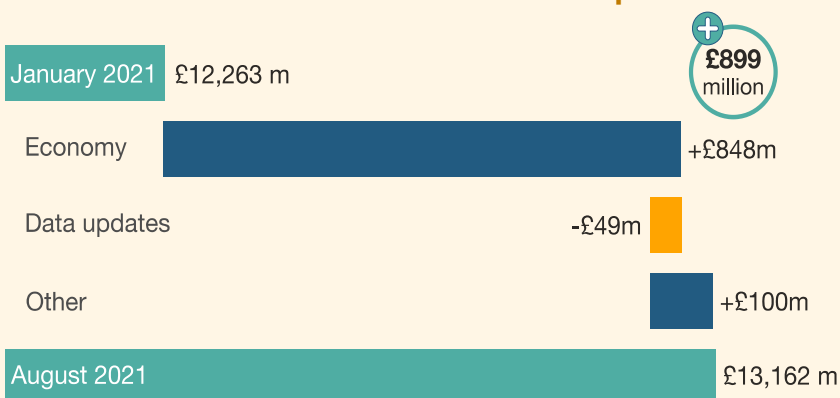
Productivity scarring reduced to 0.8%



In light of the speed of economic recovery, we have reduced our estimate of COVID-related scarring to trend productivity to 0.8 per cent, compared to 2.2 per cent which we estimated in January 2021.

Overall, our total scarring effect is now 2 per cent, down from 3 per cent in our January 2021 forecasts.

Income tax forecast for 2021-22 revised up

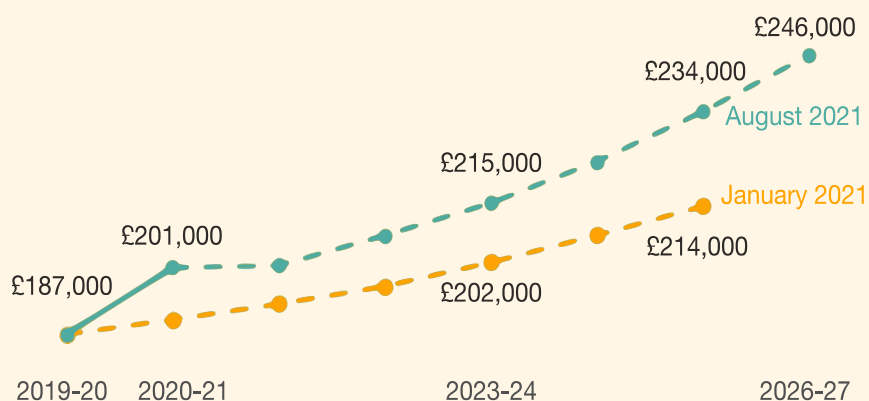


Devolved taxes

Our income tax forecast for 2021-22 has increased by £899 million compared to our previous forecast, primarily because of the improved economic outlook.

The forecast includes the latest 2019-20 income tax outturn data, and timely RTI tax data up to and including 2020-21.

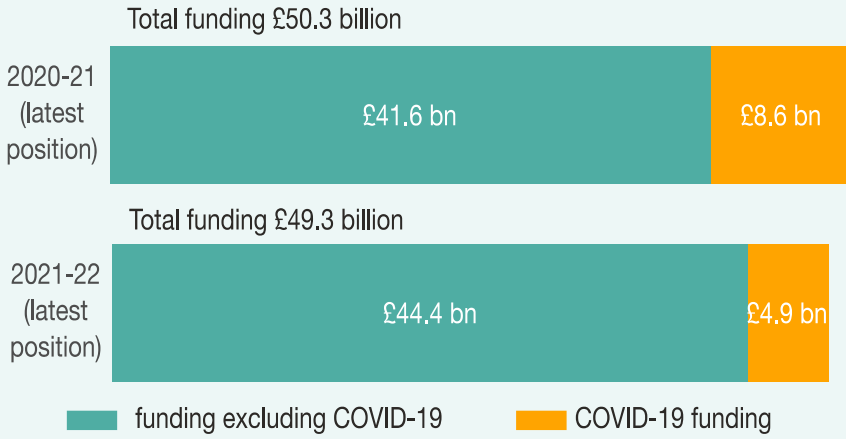
House price forecast revised up in line with income



In 2020-21 the average Scottish house price was above £200,000 for the first time. We expect prices to stabilise in 2021-22, and grow in all years after that, driven by our higher forecast of incomes.

By 2025-26, we expect average house prices will be £20,000 higher than we forecast in January, raising an additional £72 million of LBTT revenue.

COVID-19 funding

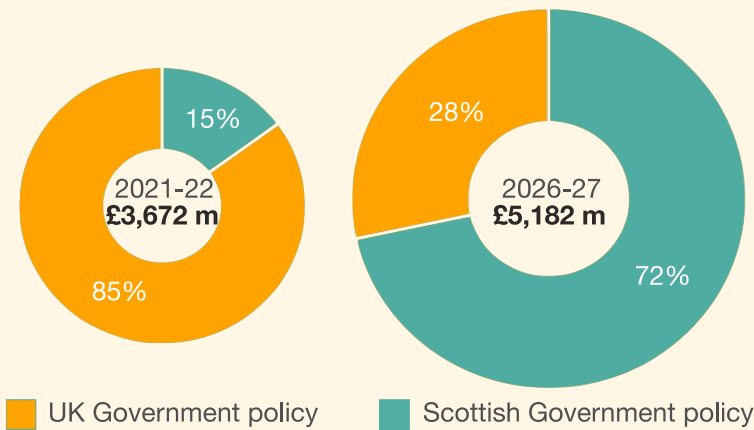


Fiscal Overview

COVID-19 funding has formed an important part of both last and this year's Budgets.

Final COVID-19 funding will be confirmed in early 2022, large changes in funding late in the financial year may create difficulties for the Scottish Government managing the Scottish Budget.

Social Security Spending

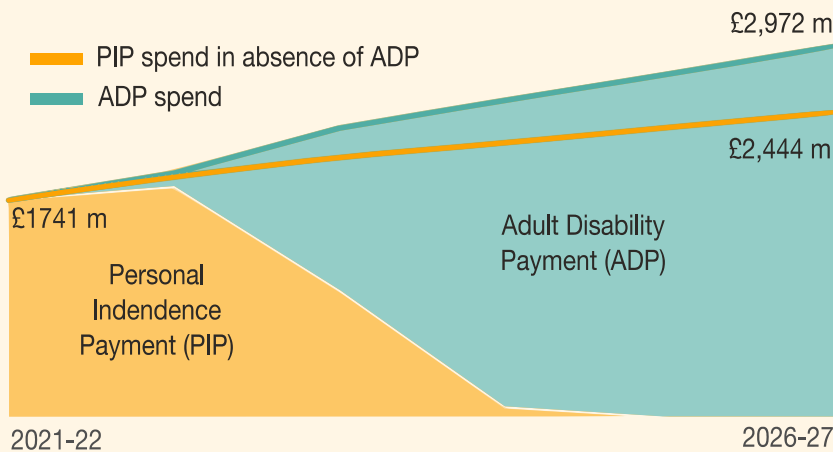


Social Security

In 2021-22, most Scottish Government social security spending, over £3 billion, is administered by the Department for Work and Pensions based on UK Government policy.

With the introduction of new disability payments, 72 per cent of forecast spending in 2026-27 is based on Scottish Government policy.

Introduction of ADP to increase spend



The Scottish Government's new Adult Disability Payment (ADP) replaces the Personal Independence Payment (PIP) from summer 2022.

We expect spending on ADP to be £0.5 billion higher than PIP in 2026-27 because of changes to the application and review processes as well as how the payment is delivered.

Introduction of ADP increases caseloads



By 2026-27, we expect that the introduction of ADP will increase the caseload by an additional 70,000 clients on top of the 400,000 people who would have received PIP in the absence of ADP.

An increase in the number of people receiving ADP leads to 10,000 more people receiving, Carer's Allowance in Scotland by 2026-27.