

A solid orange right-angled triangle pointing downwards and to the right.

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

9 December 2021

Dear Convener

Today the Scottish Fiscal Commission has published two reports. [Scotland's Economic and Fiscal Forecasts – December 2021](#) gives our latest forecast for the economy, tax revenues and social security spending to inform the Scottish Government's Budget for 2022-23.

Our separate [Fiscal Update](#) sets out the latest position for the 2021-22 Scottish Budget in light of changes since August, including additional COVID-19 funding, the UK Budget and new OBR forecasts, and revised Scottish Government borrowing plans.

The economic recovery has been stronger than we anticipated in our January 2021 forecasts, and we now expect Scottish GDP to grow by 10.4 per cent in 2021-22, with economic activity returning to pre-pandemic levels by the second quarter of 2022, and less long-term scarring of the economy.

But risks remain, particularly around inflation and the potential spread of the Omicron variant, which emerged after we had closed our forecasts.

There is some evidence that the Scottish economy has been lagging behind the rest of the UK. Scottish income tax revenues have fallen behind the Block Grant Adjustment, with a shortfall of £190 million anticipated in 2022-23. This shortfall is expected to grow to £417 million by 2026-27, driven by slower growth in employment in Scotland compared to the UK, and after taking account of inflation we expect total funding for the Scottish Budget will grow by only 1 per cent in total over the remainder of this Parliament.

Our forecasts include spending on the doubling of the Scottish Child Payment, and the new Adult Disability Payment, which will launch next year. We now expect that by 2024-25 social security spending will exceed the corresponding funding by £750 million, reducing the funding available for other spending priorities.

We are committed to being independent, transparent, accessible and open. We would be happy to take any questions the committee may have, and are holding a public event later next week.

Yours sincerely,

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

**Dame Susan Rice DBE**