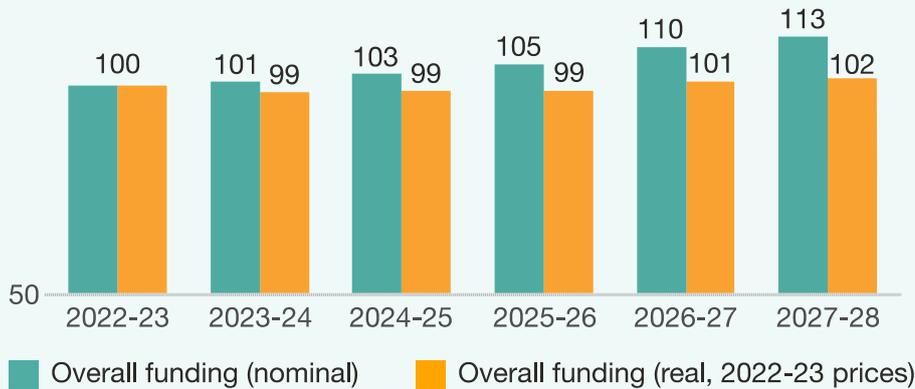


#### Medium term outlook for overall funding (2022-23 = 100)



#### Fiscal Overview

The Scottish Government will see its overall funding levels increase through and beyond the Spending Review period.

However, inflation will erode this growth. Real terms funding will remain slightly below that of 2022-23 for most of the Spending Review period, increasing only modestly in its last year.

#### Indicative tax net positions



Income tax is still expected to reduce the size of the Budget, but only in the first year of the Spending Review.

From 2024-25 the UK Government intends to reduce the basic rate of income tax to 19 per cent. The income tax BGA will reduce accordingly, thus supporting net Scottish income tax funding.

#### Inflation forecast raised significantly

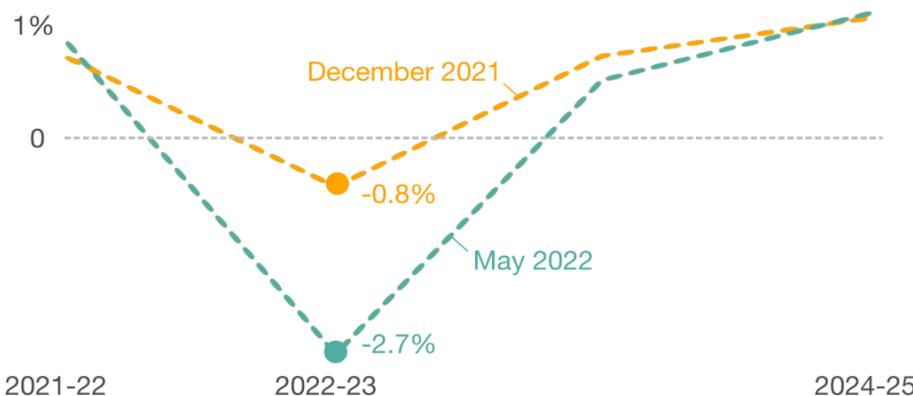


#### Economy

With inflationary pressures intensifying further since December 2021, we now expect annual CPI inflation to peak at 8.7 per cent in 2022 Q4.

Rising global energy prices, exacerbated by the conflict in Ukraine, have driven large increases in the Ofgem energy price cap in April and October 2022.

#### Real earnings decreasing because of higher inflation



We forecast real average earnings to decrease by 2.7 per cent in 2022-23.

This is because we do not expect nominal earnings to keep pace with rising inflation. Low income households are expected to be disproportionately affected.

## Income tax changes since December 2021 forecast



## Tax

The increase in our income tax forecast for 2022-23 has largely been driven by changes in the economy.

Growth in nominal earnings and employment have increased the forecast for tax revenues.

## House price growth forecast revised down

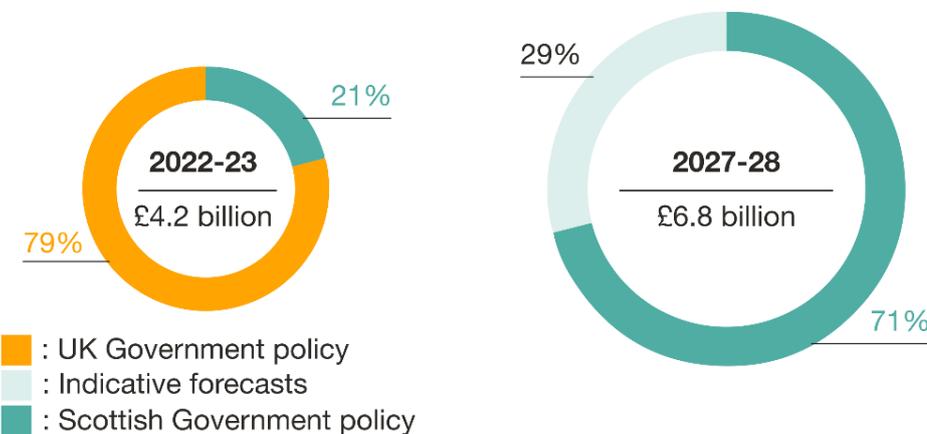


House prices will continue to rise but not as quickly as previously forecast.

The rising cost of living and rising interest rates will put pressure on how much households can afford to spend on moving home.

## Social security spending

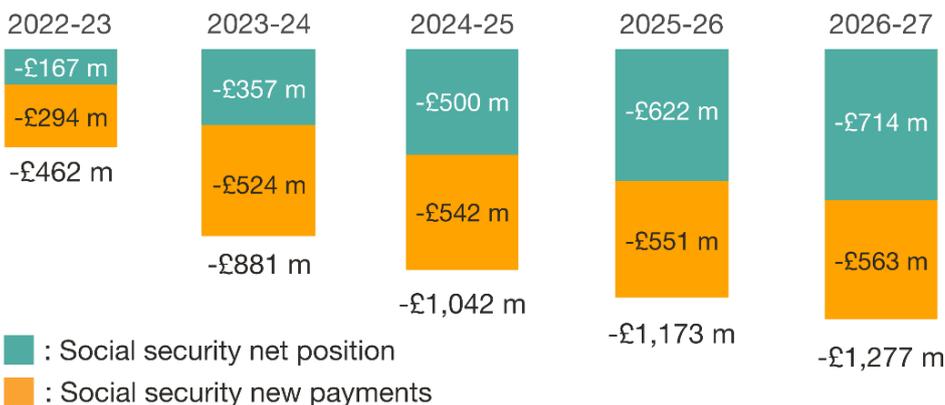
## Social Security



Security spending increases from £4.2 billion in 2022-23 to £6.8 billion in 2027-28.

The Scottish Government plans to replace payments devolved but administered by DWP with Scottish payments by the end of 2025. While the Scottish Government develops the plans for these payments, we present the spending as indicative.

## Social security funding pressures forecast



Scottish Government receives funding for the payments devolved from the UK Government. Spending above this funding must be met from its wider Budget.

Scottish Government spending above the funding received is forecast to increase from £0.5 to £1.3 billion.