

May 2022

Scotland's Economic and Fiscal Forecasts

Media Conference



Scotland's Economic and Fiscal Forecasts

Overview

- The economic outlook
- Tax and funding
- Spending and social security

- Q&A

- Also published yesterday Scottish Government Resource Spending Review and their new MTFS

The economic outlook

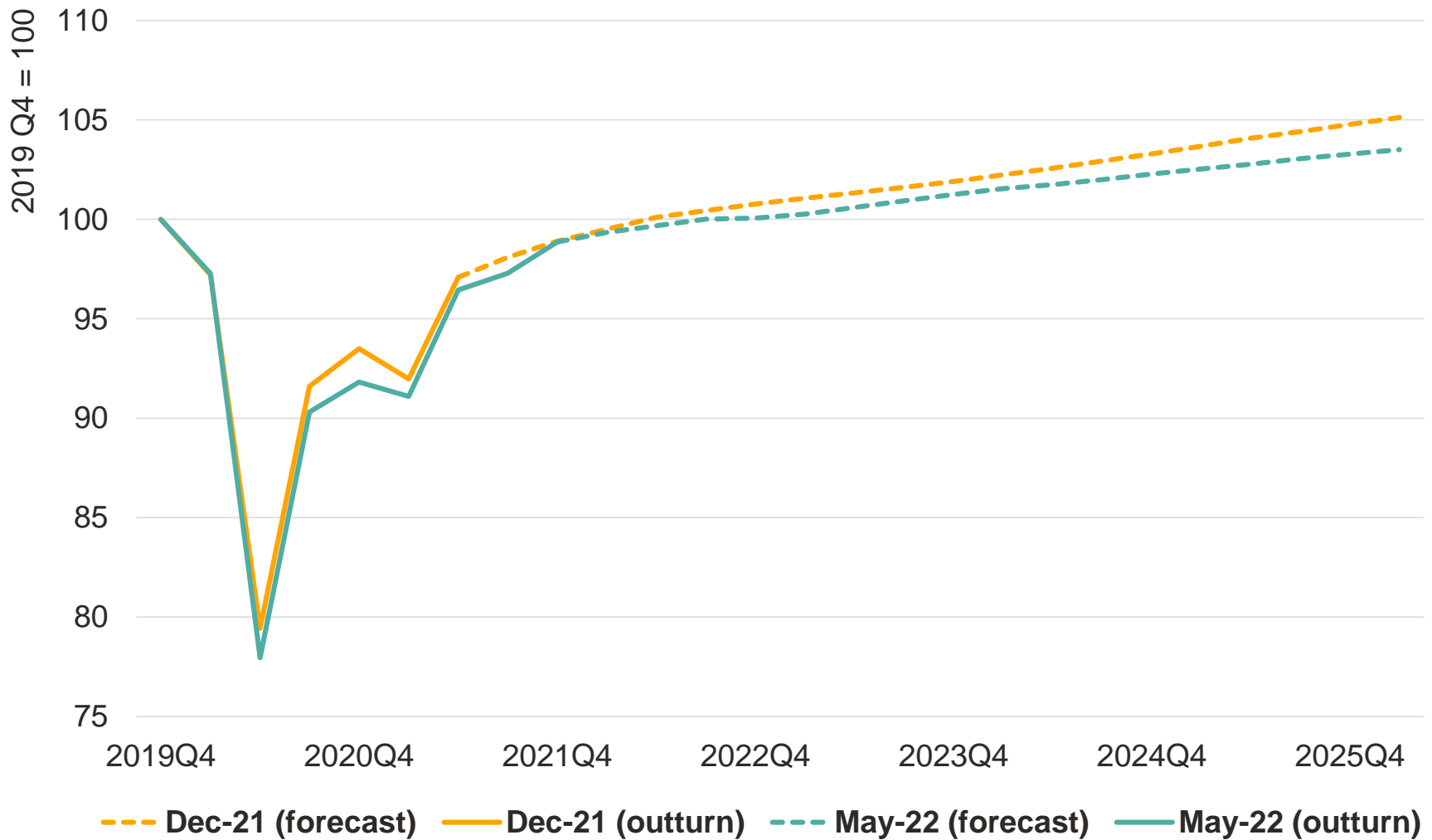
Headline economy forecasts

Per cent	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
GDP							
December 2021	10.4	2.2	1.2	1.3	1.4	1.4	-
May 2022	11.6	2.1	1.1	1.0	1.0	1.0	1.0
Consumer Price Index							
December 2021	3.3	3.7	2.3	2.0	2.0	2.0	-
May 2022	4.0	8.0	2.4	1.7	2.0	2.0	2.0
Average real earnings							
December 2021	0.6	-0.8	0.7	1.1	1.3	1.4	-
May 2022	0.8	-2.7	0.4	1.2	1.1	1.2	1.3

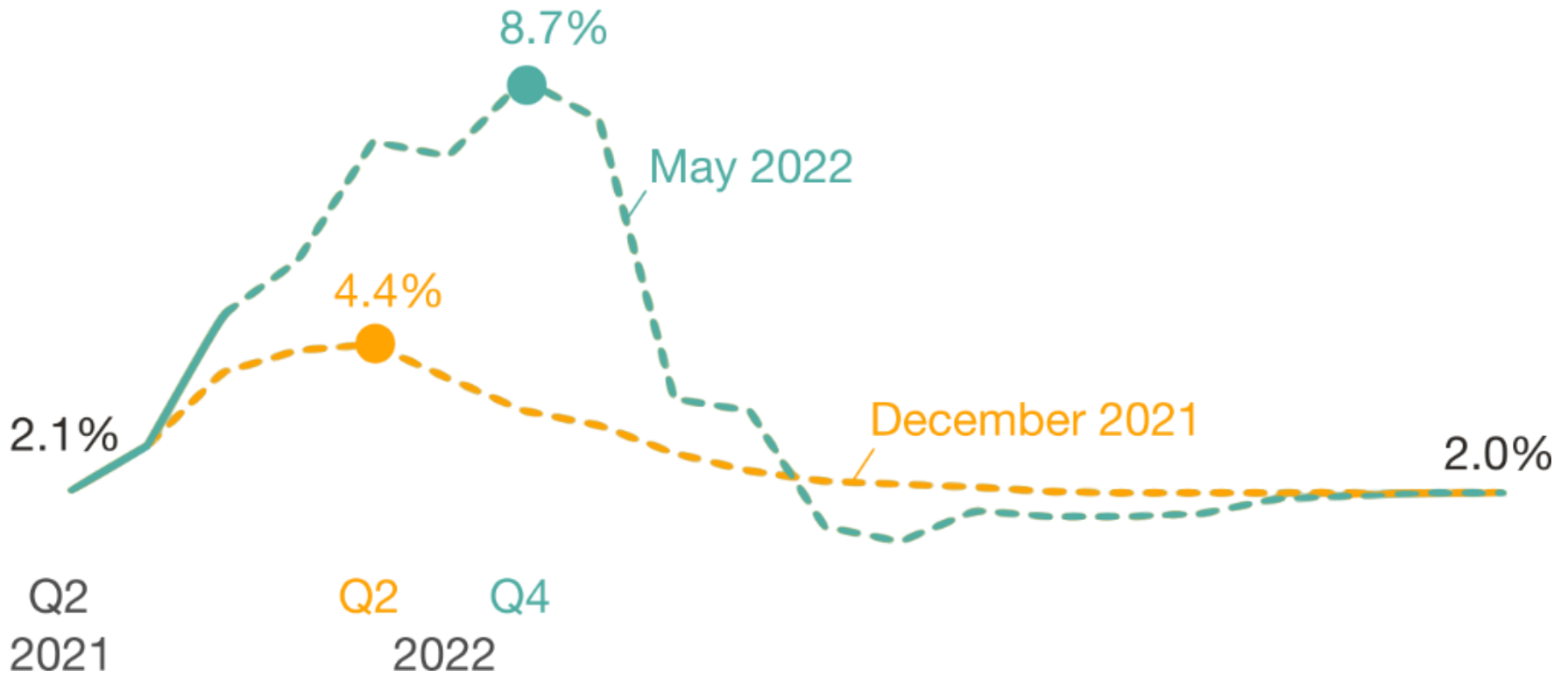
GDP outlook broadly in line with other forecasters (calendar year)

Per cent	2021	2022	2023	2024	2025	2026	2027
Scotland: SFC May 2022	7.4	4.0	1.0	1.1	1.0	0.9	1.0
Scotland: FAI March 2022	7.4	3.5	1.5	-	-	-	-
UK: OBR March 2022	7.4	3.8	1.8	2.1	1.8	1.7	-
UK: NIESR May 2022	7.4	3.5	0.8	0.9	1.1	1.5	-
UK: BoE May 2022	7.4	3.75	-0.25	0.25	-	-	-
UK: HMT average forecasts May 2022	7.4	3.9	1.3	-	-	-	-

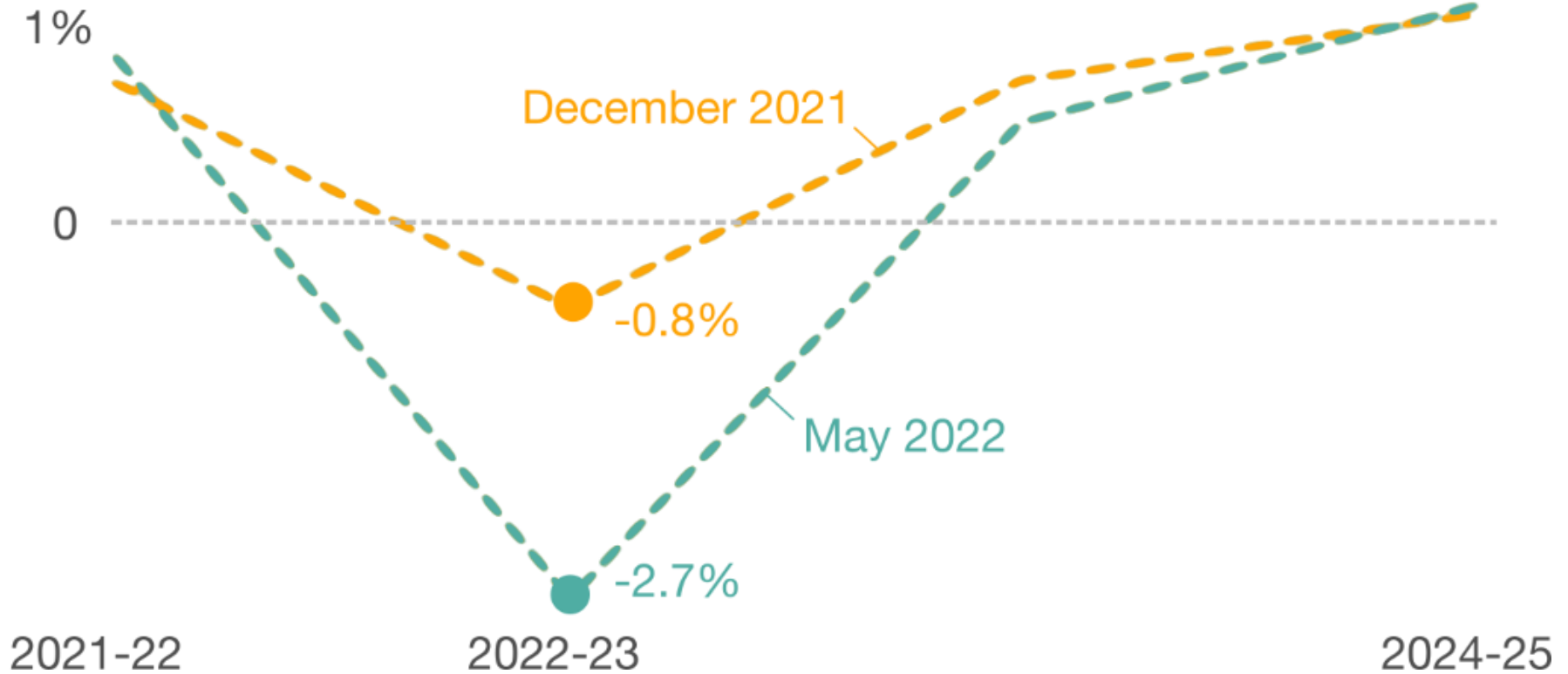
Scottish GDP – outturn & forecast



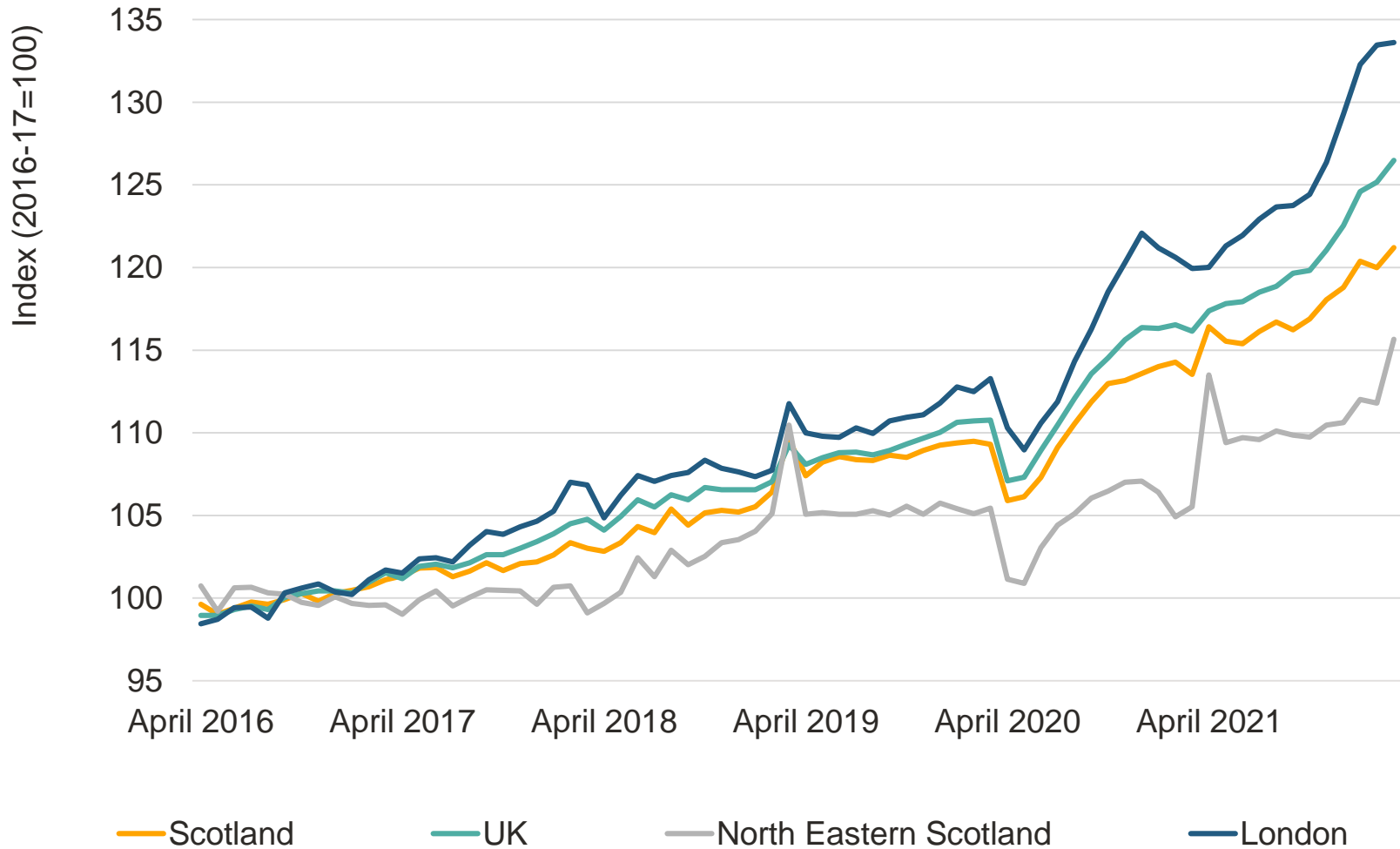
Inflation (CPI)



Real average earnings growth

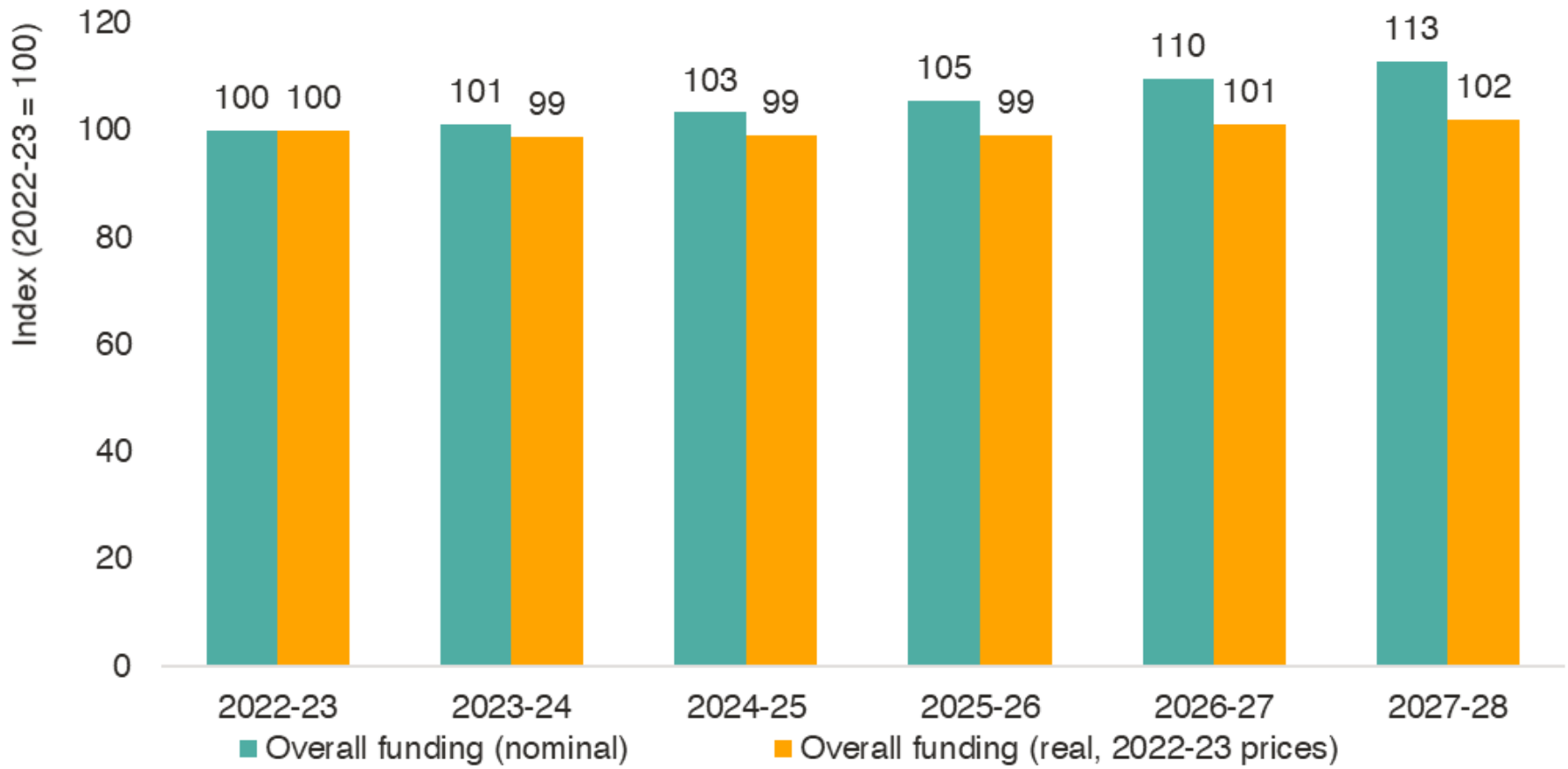


Nominal pay growth since 2016-17



Tax and funding

Total Scottish Government funding (resource and capital)



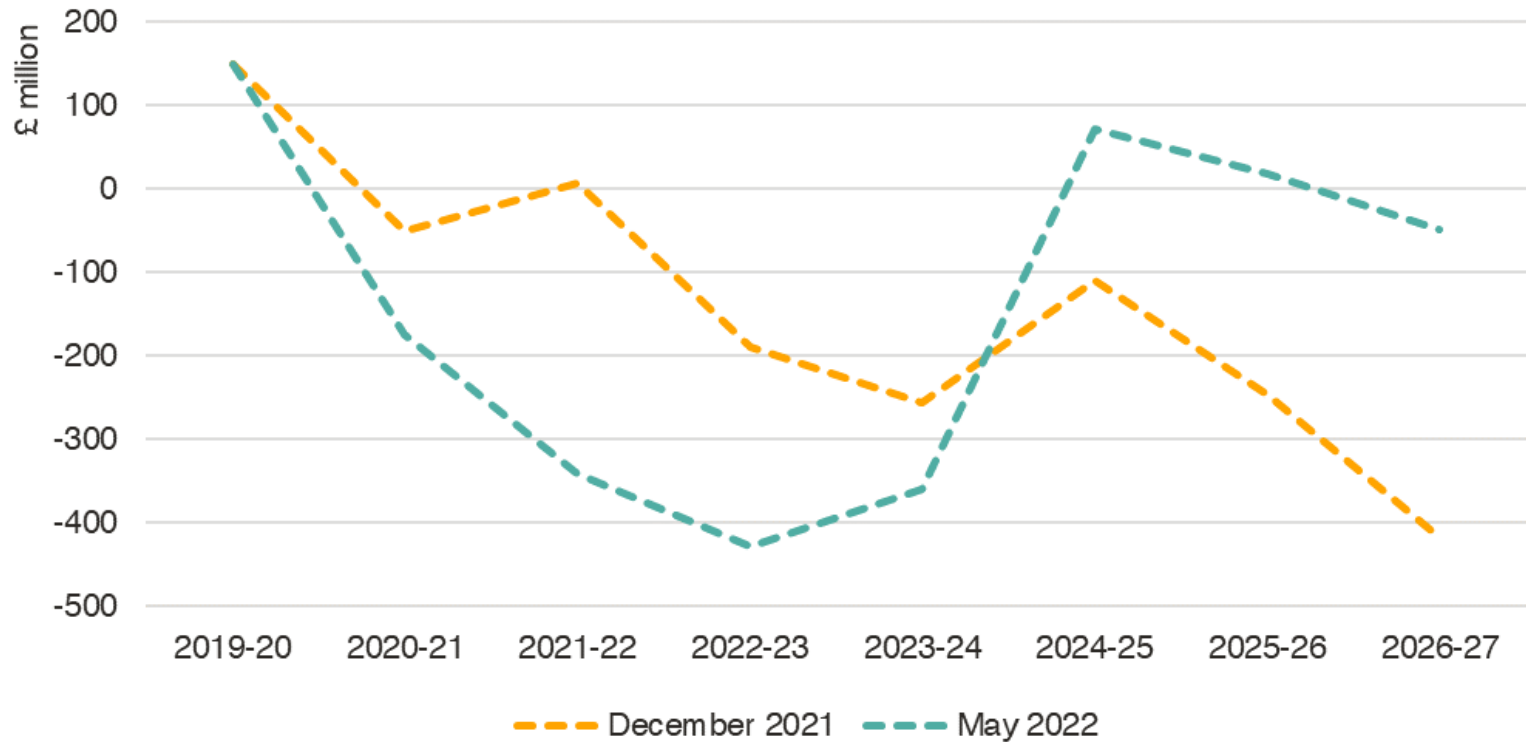
Funding for the Resource Spending Review

£ million	2022-23	2023-24	2024-25	2025-26	2026-27
UK Government funding	39,019	39,956	41,232	42,466	44,118
NDR & “other” funding	3,238	3,463	3,307	3,036	3,324
Tax net position	-51	-265	167	103	-31
Final reconciliations	-15	-221	-817	-238	-
Resource borrowing	15	110	300	119	-
Resource reserve drawdown	400	279	250	113	87
Total resource funding available	42,607	43,321	44,439	45,600	47,498

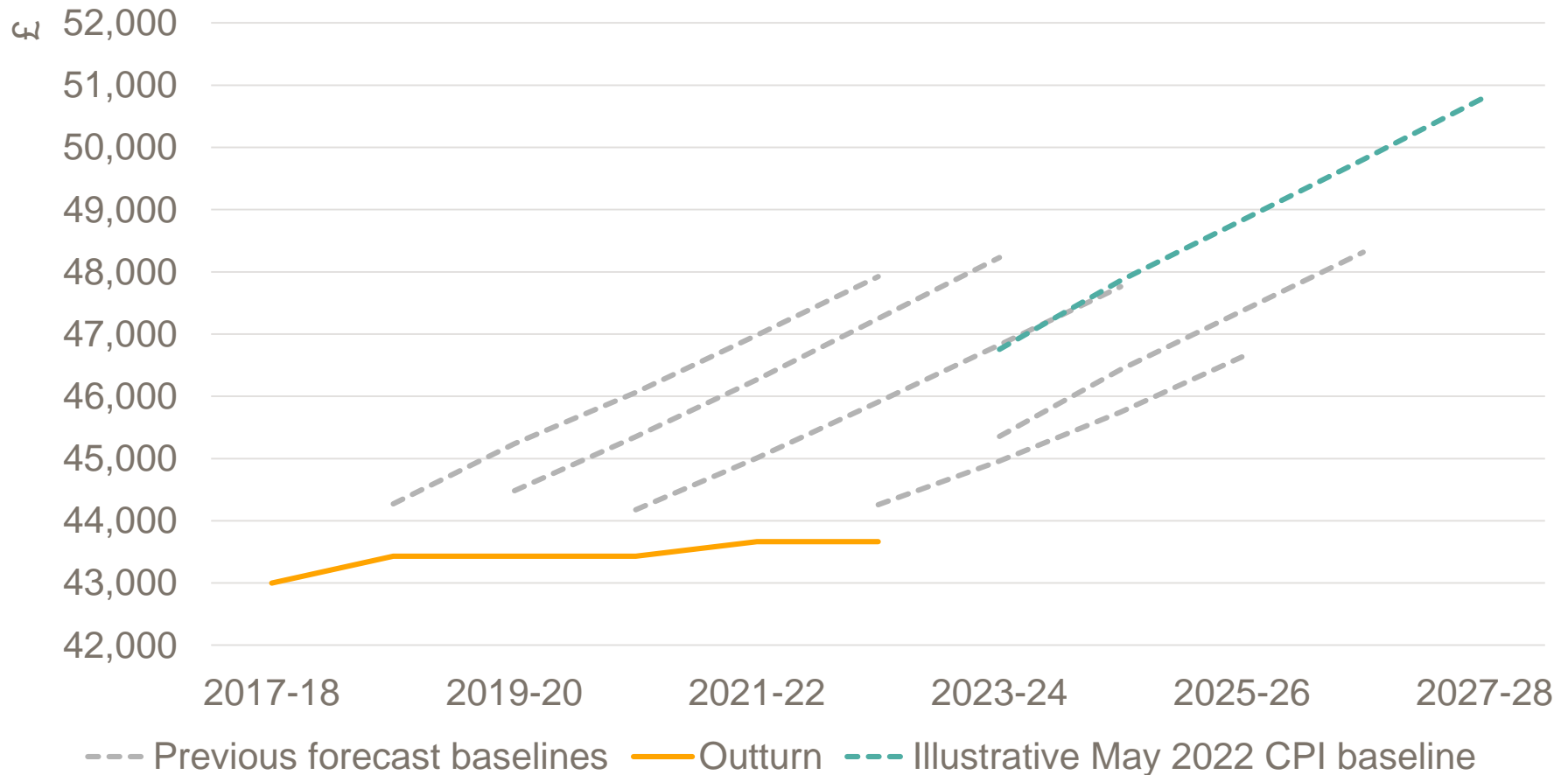
Tax net positions

£ million	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Income Tax	-342	-428	-359	71	18	-50
LBTT	148	81	80	77	79	78
SLfT	41	41	14	19	6	-59
Total taxes	-153	-306	-265	168	104	-31

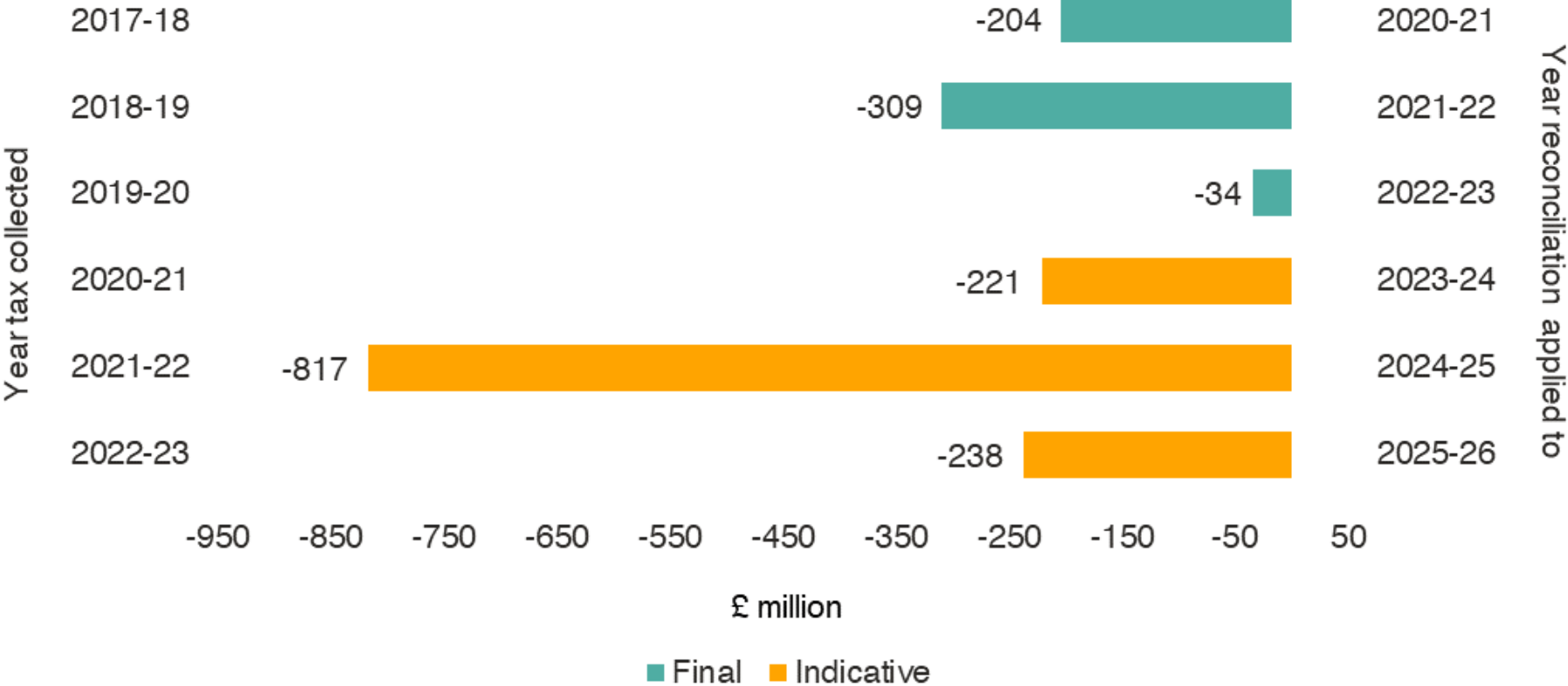
Income tax net position



Change in SFC higher rate threshold assumption for baseline

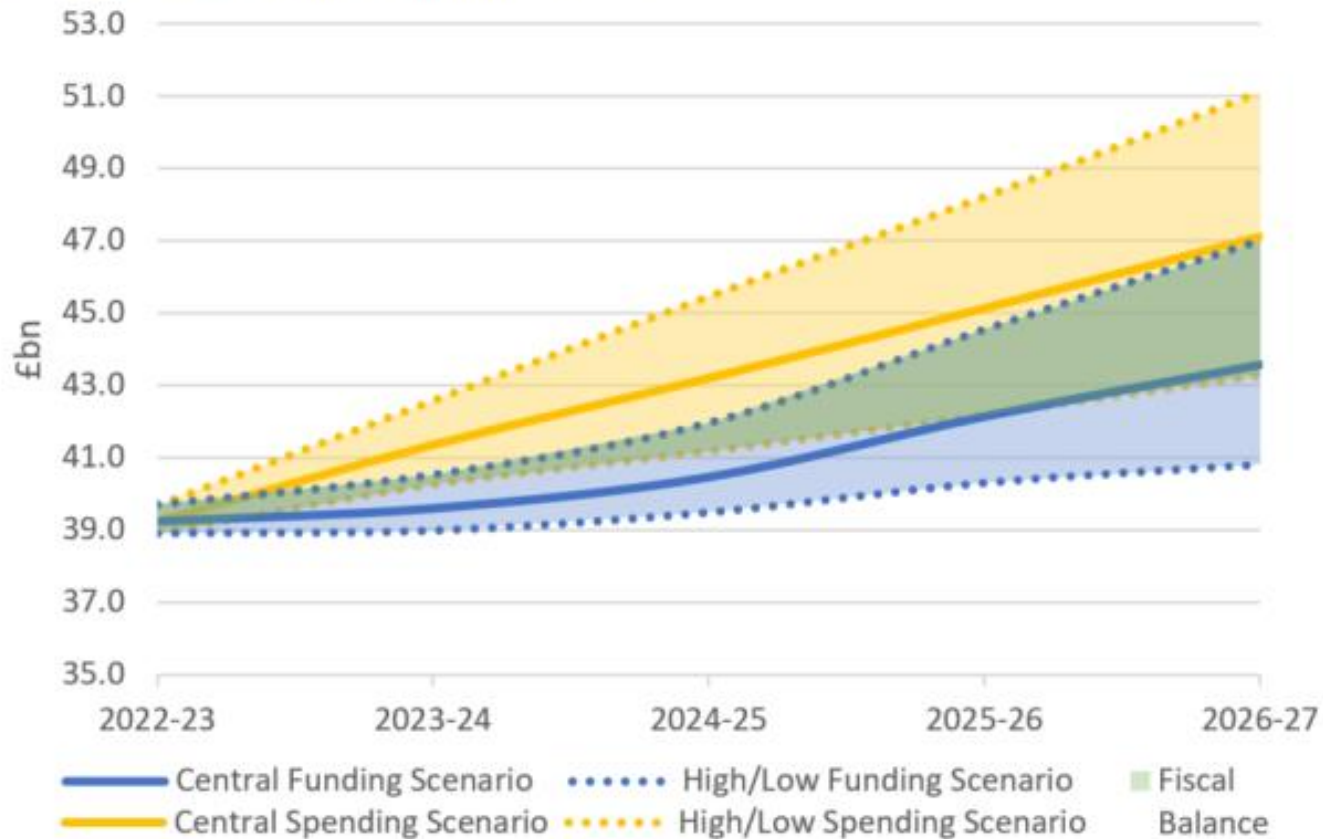


Outturn and indicative estimates of income tax reconciliations



Funding position last December – Scottish Government MTFs

Figure 6: Modelled funding and spending scenarios



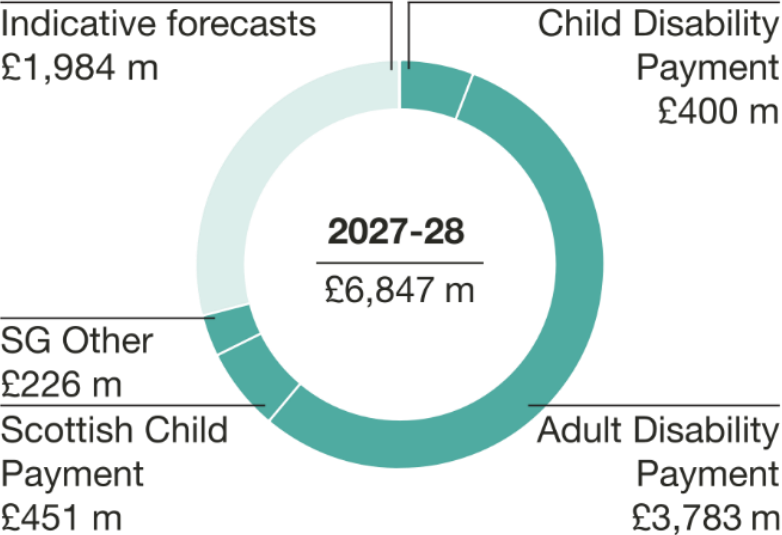
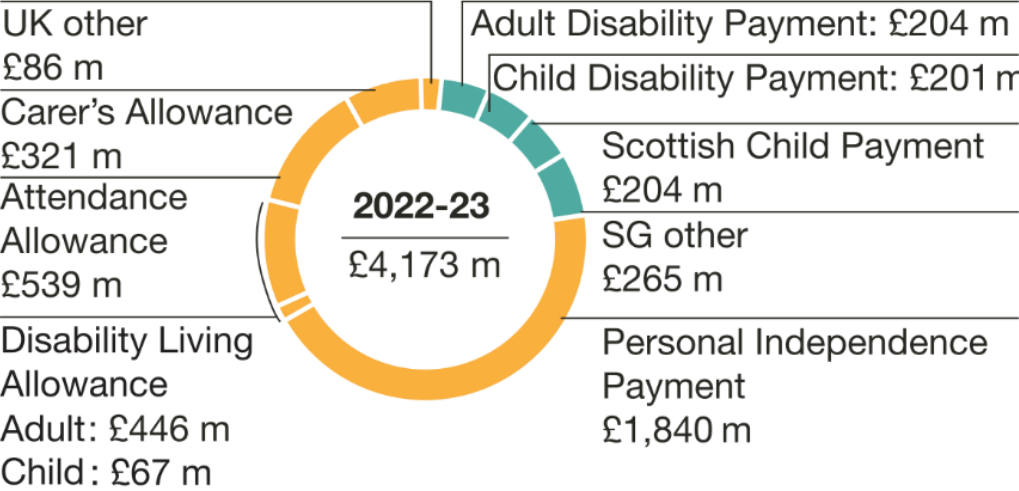
Source: Scottish Government (2021) Medium Term Financial Strategy – December 2021

Spending and Social Security

Scottish Government's funding position net of health & social security

£ million	2022-23	2023-24	2024-25	2025-26	2026-27
Total resource funding available	42,607	43,321	44,439	45,600	47,498
Social security spending	4,173	5,072	5,725	6,108	6,490
Health and social care spending	17,106	17,550	17,995	18,536	19,029
Total resource funding for all other portfolios	21,328	20,699	20,719	20,956	21,979

Social security spending rising significantly

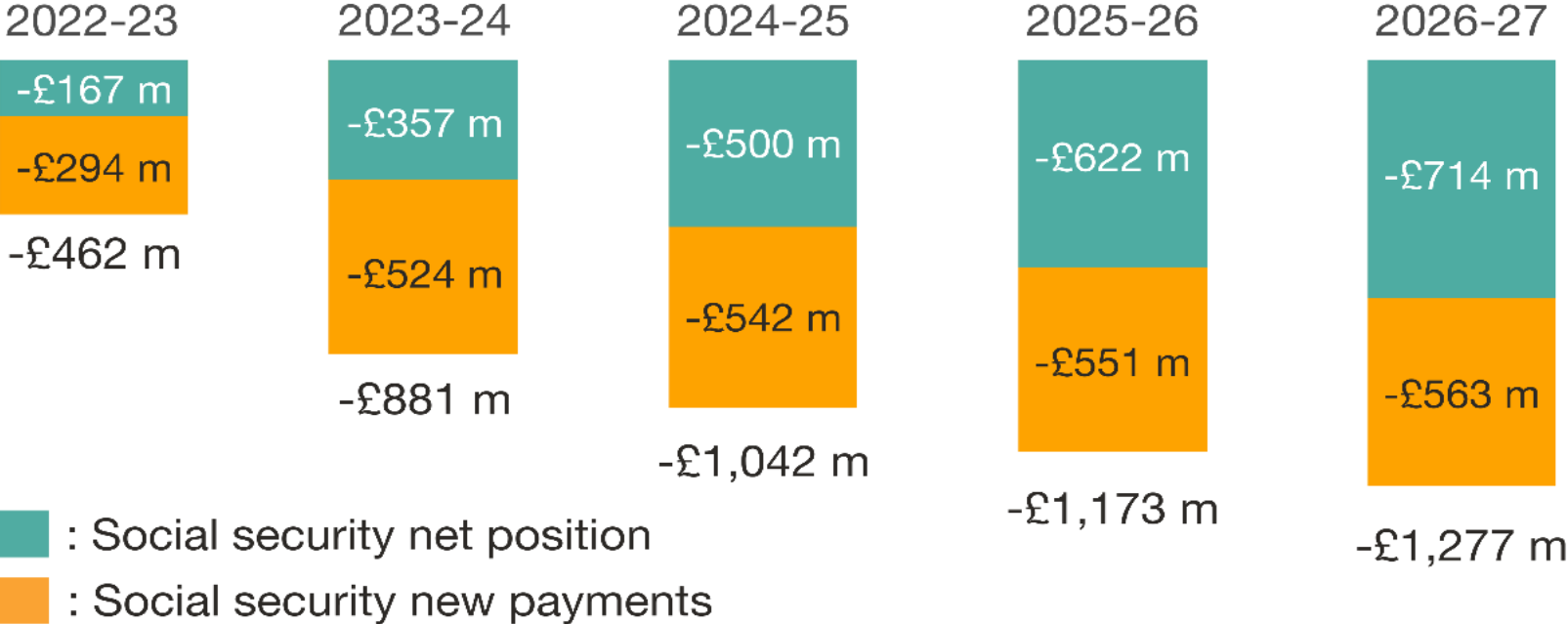


- : UK Government policy
- : Indicative forecasts
- : Scottish Government policy

Change in social security forecasts since December 2021

£ million	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
December 2021	3,679	4,065	4,657	4,966	5,230	5,511
May 2022 [1]	3,720	4,173	5,072	5,725	6,108	6,490
Change since December 2021	41	108	414	758	878	980

Social security spending significantly above UKG funding



Scottish Government's spending allocations in 2022-23 prices

£ million	2022-23	2023-24	2024-25	2025-26	2026-27
Constitution, External Affairs and Culture	100	95	87	86	84
Crown Office and Procurator Fiscal Service	100	98	96	94	92
Deputy First Minister and Covid Recovery	100	98	96	94	157
Education and Skills	100	98	96	95	109
Finance and Economy	100	96	95	94	102
Health and Social Care	100	100	101	102	103
Justice and Veterans	100	98	96	98	96
Net Zero, Energy and Transport	100	97	98	101	115
Rural Affairs and Islands	100	97	96	94	93
Social Justice and Housing	100	117	128	134	139
Local Government	100	98	96	94	93
Scottish Parliament and Audit Scotland	100	98	96	94	92
Total	100	101	102	102	104

Time for Q&A