

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

Siobhian Brown MSP
Convener
COVID-19 Recovery Committee
The Scottish Parliament
Edinburgh
EH99 1SP

30 August 2022

Dear Convener,

Today the Scottish Fiscal Commission has published four new reports. In our [Forecast Evaluation Report](#) we review our income tax forecast for 2020-21 and our forecasts of the economy, the other devolved taxes and social security spending for 2021-22.

Income tax revenues were £417 million lower than our forecast, but revenues in the rest of the UK were also lower than the corresponding OBR forecast, so the net effect will be a positive reconciliation of £50 million, which will be applied to the 2023-24 Scottish Budget. Record revenues of £807 million for Land and Buildings Transaction Tax were 38 per cent above our forecast, and devolved social security spending was £136 million, or 4 per cent, higher than when the 2021-22 Budget was set.

Higher spending on social security was partly driven by pandemic effects, for example through large numbers of Self-Isolation Support Grant payments during the Omicron wave, and the double payment of Carer's Allowance Supplement in December 2021. In some other respects, our forecasts proved too pessimistic. The recovery in GDP growth during 2021-22 was stronger than we had expected, despite the high levels of infection and continued public health restrictions, as was growth in employment and average earnings largely thanks to the furlough scheme.

Ahead of our first full Fiscal Sustainability report next year, we have published two reports, [consulting on our proposed approach](#) and [setting out how projected long-term population trends will affect economic growth and income tax](#). Under these illustrative projections, demographic trends would mean Scotland's population falling by 900,000 over the next fifty years, and annual economic growth in Scotland would be 0.5 percentage points less than the UK over the long term, with annual growth in GDP per head 0.2 percentage points lower.

We have also published our biennial [Statement of Data Needs](#), setting out the progress on data availability since our last report in 2020, and the areas where improvement is needed.

I would be happy to answer any questions you may have on these reports, or to provide any other evidence that might help your in inquiry into the impact of the pandemic on the Scottish Labour market.

Yours sincerely,

A handwritten signature in black ink, appearing to read "G Roy".

Professor Graeme Roy