

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

15 December 2022

Dear Convener,

Today the Scottish Fiscal Commission has published [Scotland's Economic and Fiscal Forecasts – December 2022](#), giving our latest forecasts for the economy, tax revenues and social security to inform the Scottish Budget.

We think that inflation is peaking at around 11 per cent at the end of this year, but still expect that over this year and next Scottish households will see the biggest fall in their real disposable income since records began in 1998. Even once inflation returns to lower levels, and real household incomes start to grow again in 2024-25, living standards will take time to recover to the pre-crisis 2021-22 level. Our forecast suggests that, by 2025-26, real disposable income per person will be no higher than its level a decade earlier.

We do expect faster nominal wage growth than in recent forecasts, and the tax rises announced today will help to improve the Scottish Government's resource budget in cash terms, but in real terms it will see only a marginal increase in 2023-24.

We also expect that a more positive outlook for the oil and gas sector, and relatively lower exposure to rising interest rates through mortgage debt may mean that there is some recovery in Scottish earnings relative to the UK.

This is my first set of forecasts as Chair of the Commission, and I look forward to working with you on anything the Commission can do to aid the work of the Committee.

Yours sincerely,

A handwritten signature in black ink that reads "Graeme Roy".

Professor Graeme Roy