

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

Natalie Don MSP
Convener
Social Justice and Social Security 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.

Our forecasts of social security spending are much higher than in last year's Budget forecasts. Higher inflation, increased demand for disability payments, the estimates for Scottish Government policy commitments we added in May, and the measures announced in the Child Poverty Delivery Plan all combine to give a forecast for 2026-27 that is £1.4 billion higher than in our December 2021 report.

Much of the increase in spending is driven by factors which also apply in England and Wales, so will be matched by higher funding through Block Grant Adjustments, but we still expect the gap between spending and funding to reach £1.4 billion by 2027-28, mainly because of the Scottish Child Payment and our estimates of the additional costs associated with new disability payments.

I have also written to you today with an update on the encouraging progress on access to data on the new Scottish disability payments since our September discussion of the issues raised in our Statement of Data Needs report.

I look forward to giving evidence next week on my first set of forecasts as Chair of the Commission, and am happy to discuss any aspect of our forecasts or the issues discussed in my other letter.

Yours sincerely,

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

Professor Graeme Roy