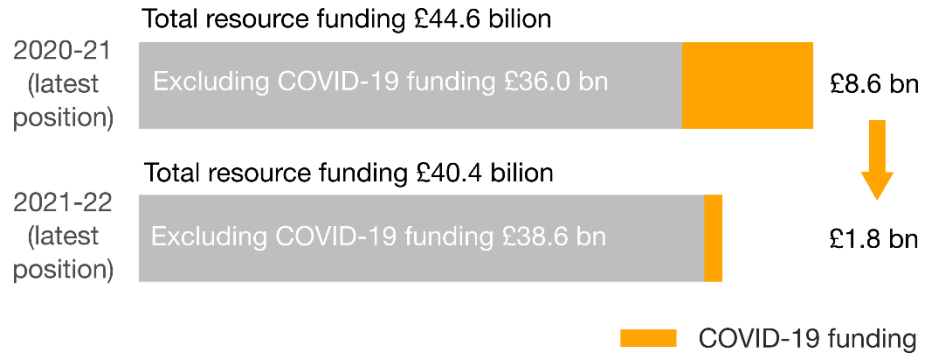


Fiscal Overview

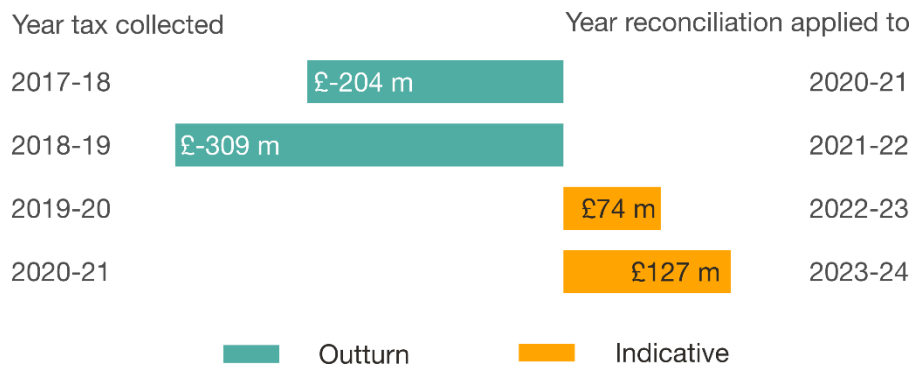
COVID-19 funding increased successively over the course of 2020-21, from £3.5 billion in April to the latest estimate of £8.6 billion.

The 2021-22 Scottish Budget is set based on £1.8 billion COVID-19 funding. Treasury confirmed £1.3 billion and £500 million is assumed by the Scottish Government.



Income tax reconciliations adjust for differences between outturn and forecasts in previous years. We are expecting two positive reconciliations, related to tax collected in 2019-20 and 2020-21.

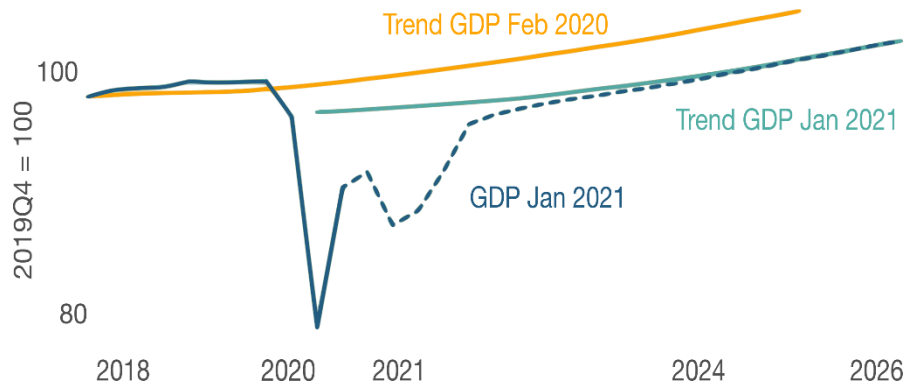
Estimates of future reconciliations are highly uncertain and will be finalised when outturn data are released.



Economy

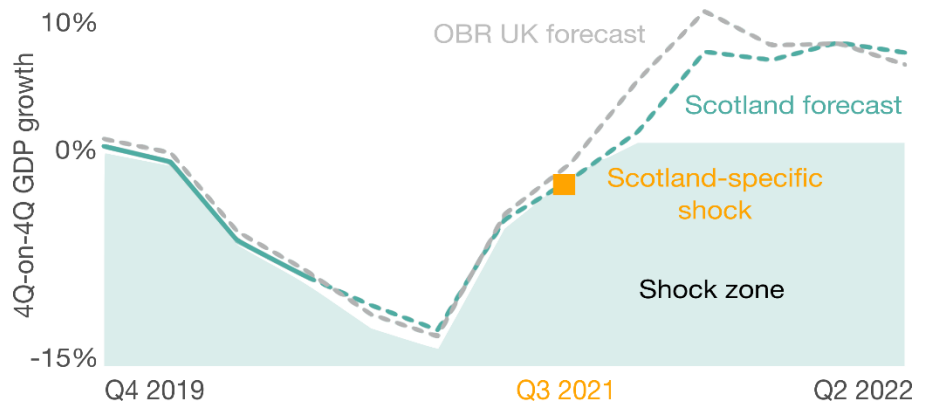
We expect the latest lockdown to reduce economic activity by 5 per cent in the first quarter of 2021.

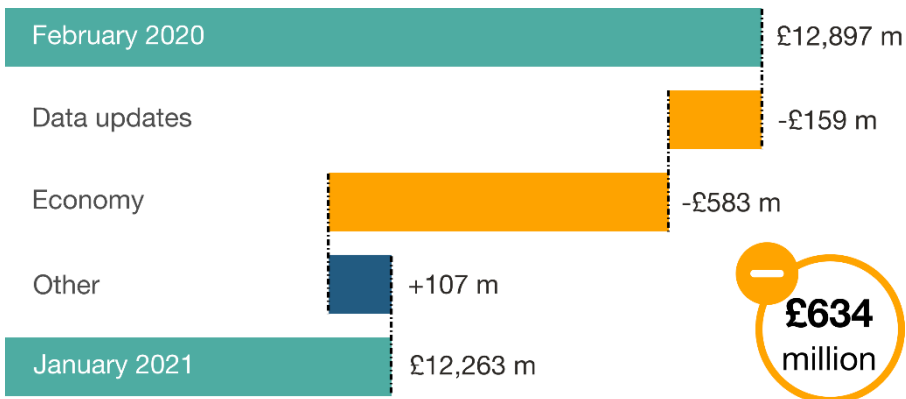
We forecast that GDP grows by 2 per cent over 2021, 7 per cent in 2022, and recovers to its pre COVID level in 2024. By 2025, GDP is 4 per cent lower than we forecast in February.



Differences between our and OBR's forecasts trigger a Scotland-specific economic shock in Q3 2021. This is mainly because we could account for the early-2021 restrictions.

This shock increases annual limits on resource borrowing by £300 million and removes annual limits on the withdrawal of funds from the Scotland Reserve.

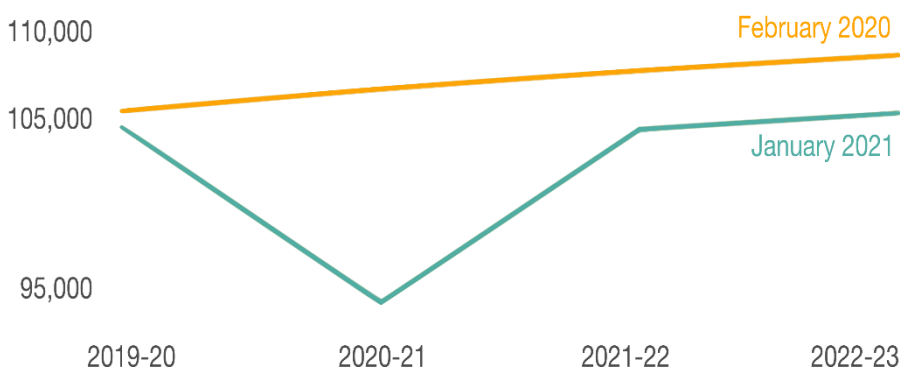




Our income tax forecast for 2021-22 has fallen by £634 million compared to our previous forecast, primarily because of falls in employment.

The forecast now uses the HMRC RTI data for 2019-20 and 2020-21, giving us more timely information on the effects of the furlough schemes.

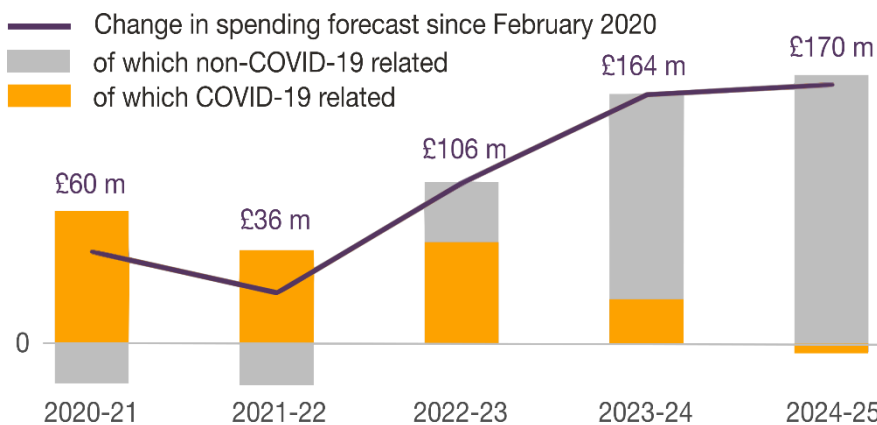
Residential housing transactions



The lockdown's effect on the housing market has been primarily via transactions which bounced back in 2021-22.

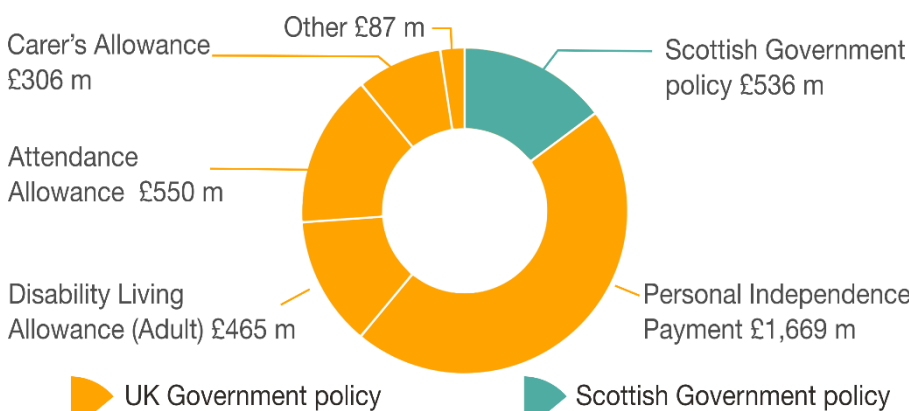
We expect the effect on average house prices to be more muted as incomes continue to be supported by the various job support schemes.

Social Security




COVID-19 has increased the number of people eligible for social security support as unemployment has increased and incomes have reduced.





There are also other COVID-19 related factors that reduce spending such as the lower inflation forecast and lower pension-age population.



In 2021-22, most social security spending, over £3 billion, will be based on UK Government policy and administered by DWP.

Personal Independence Payment is the most significant payment with an expected spend of £1.7 billion.


Fiscal Overview		2020-21	2021-22	£ million
	Resource funding (latest position)	44,579	40,431	Non-COVID-19 related funding increases by £2.6 billion and COVID-19 funding decreases by £6.8 billion

Economy		2020	2021	2022	2025	% growth
	GDP	-10.7	1.8	7.5	1.7	GDP growth, shocked in 2020 by restrictions on economic activity, rebounds in 2022 before stabilising
	Trend Productivity	0.0	0.2	0.4	1.6	Trend productivity is subdued in the short term and then gradually rises
	Nominal Earnings	2.5	2.6	2.4	3.3	Average nominal earnings growth is supported by the furlough scheme in 2020 and then increases gradually
	Employment	-2.4	-1.5	1.2	0.2	Growth revised down in 2020 and 2021 to account for the effects of COVID-19 on the labour market

Tax		2020-21	2021-22	2022-23	2025-26	£ million
	Income Tax	11,850	12,263	12,907	14,718	Income tax revenues grow slowly because of increased unemployment
	Non-Domestic Rates	1,848	2,680	2,930	3,216	Forecast includes policy announcements for the retail, hospitality & leisure sectors and poundage set at 49p
	LBTT	517	586	629	740	Housing market seeing recovery following lockdown during 2020. Limited effect on average prices
	Scottish Landfill Tax	95	88	86	61	Downward revision in line with weaker outlook for the economy

Policy announcements

	Non Domestic Rates		-251	-67	-71	Poundage set at 49p in 2021-22 with extended relief for the retail hospitality & leisure sectors
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Social Security		2020-21	2021-22	2022-23	2025-26	£ million
	All devolved social security assistance	3,495	3,614	3,810	4,249	Spending will increase over the next five years as more people receive social security support each year and most payment amounts increase with inflation