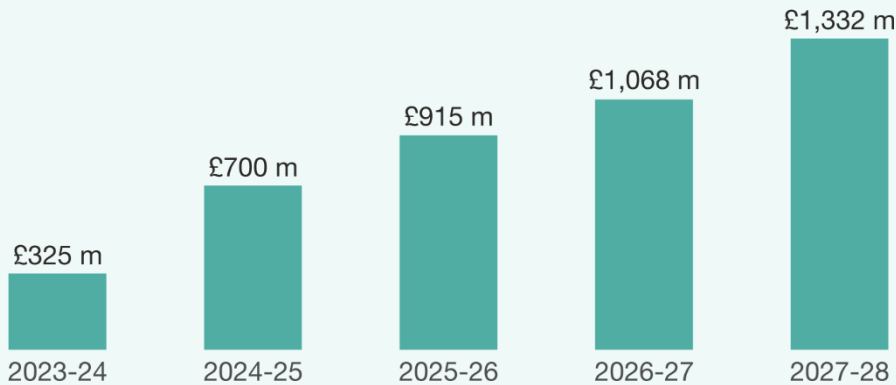


#### Projected income tax net positions



#### Fiscal Overview

Comparing our forecast with the BGA based on OBR forecasts, an increasingly positive income tax net position is projected, partly as a result of policy changes.

Tax net positions are uncertain, but a higher level could support future resource funding, especially towards the end of the forecast horizon.

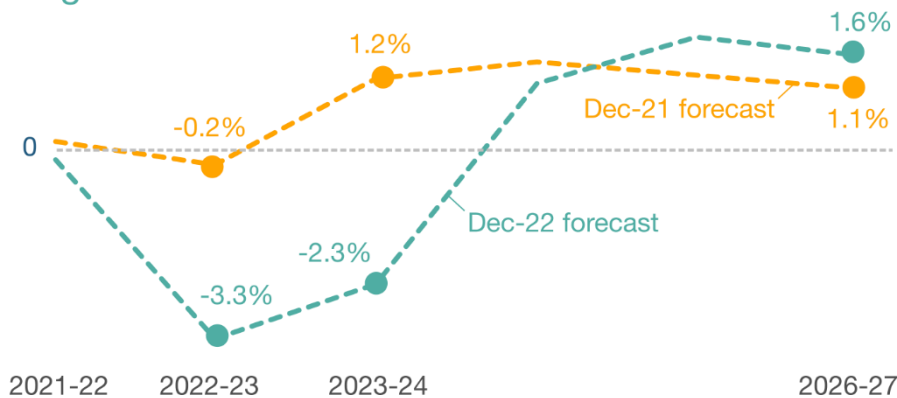
#### Growth in resource budget from 2022-23 to 2023-24



There is almost £1.7 billion more resource funding in 2023-24 than in the latest position for 2022-23 because of increases in the Block Grant and social security funding, as well as improved tax net positions.

However, inflation reduces the spending power of this additional funding. We expect it to be only £279 million more in real terms.

#### Living standards to fall

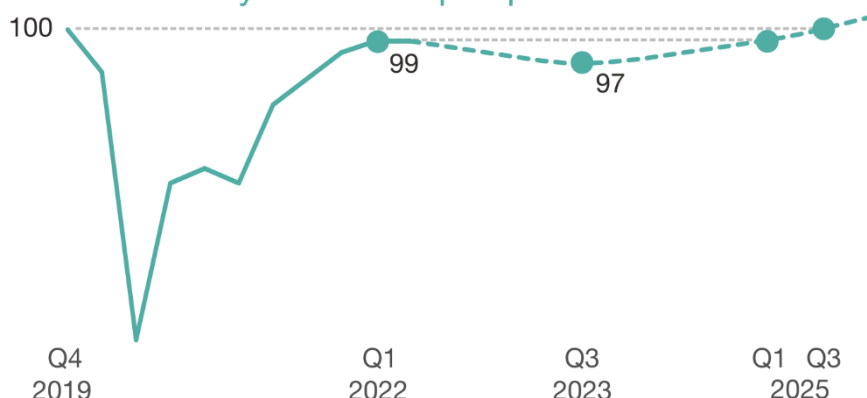


#### Economy

High inflation over 2022 23 and 2023 24 results in the greatest fall in the real value of disposable income per person since records began in 1998.

Even once inflation returns to lower levels, real disposable income per person will take time to recover, only reaching its 2021-22 level in 2027-28.

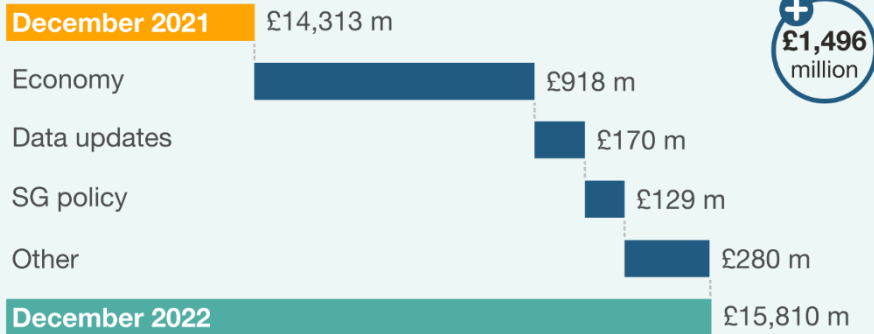
#### Recession delays return to pre-pandemic GDP level



We forecast a shallow recession in the coming year, with a return to the 2022 Q1 pre-recession peak by 2025 Q1.

Following this, GDP does not return to pre-pandemic levels until 2025 Q3.

## Income tax changes since December 2021 forecast



## Tax

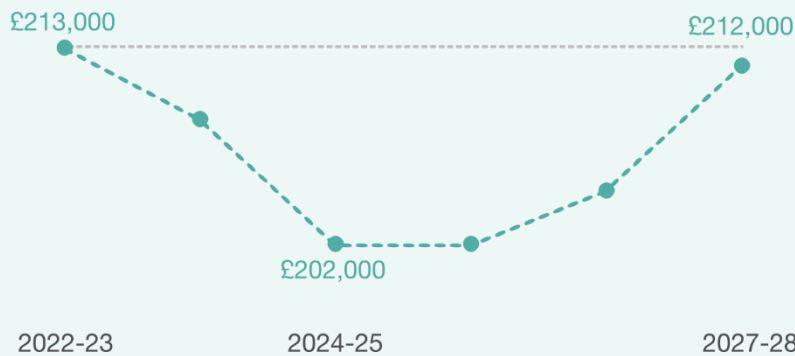
We expect high inflation leading to increased nominal earnings growth to generate a significant increase in income tax revenue.

The Scottish Government's policy decision to freeze thresholds and increase the higher and top rate of tax will also increase tax revenue.

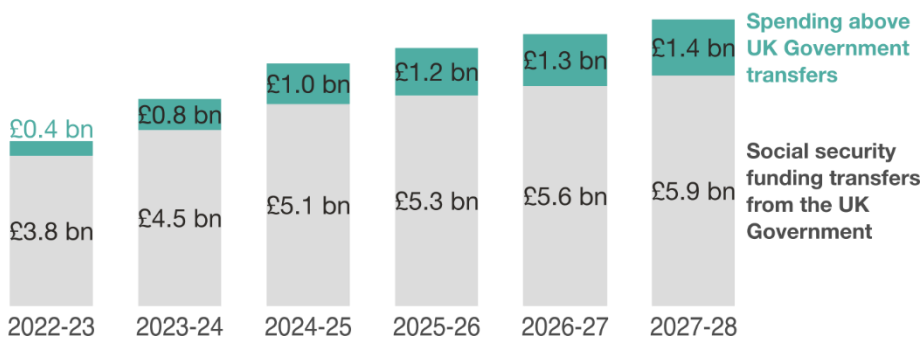
We are forecasting a decrease in house prices over the next two years because of sharp interest rate rises and increased cost of living affecting how much households can afford to spend on moving home.

We expect nominal house prices to return to 2022-23 levels by 2027-28.

## Fall in house prices over next two years



## Spending increasing to £7.3 bn by 2027-28

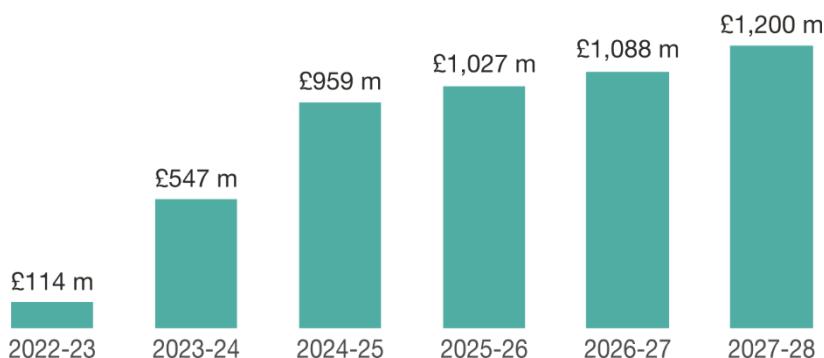


## Social Security

Social Security forecast increases from £4.2 billion in 2022-23 to £7.3 billion in 2027-28.

By 2027-28, we expect the Scottish Government to spend £1.4 billion more on social security than the funding received from the UK Government.

## Inflation-linked increases in spending



Most payments are uprated in line with inflation, so high inflation will drive a sharp rise in spending over the next two years.

By 2027-28 uprating increases spending by £1.2 billion.