
Scotland's Economic and Fiscal Forecasts – Visual Summary Pages

© Crown copyright 2024

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence visit [Open Government Licence \(nationalarchives.gov.uk\)](https://nationalarchives.gov.uk) or write to the Information Policy Team, The National Archives, Kew, London TW9 4DU, or email: psi@NationalArchives.gsi.gov.uk

Where we have identified any third-party copyright information you will need to obtain permission from the copyright holders concerned.

This publication is available at www.FiscalCommission.scot

Any enquiries regarding this publication should be sent to us at: Scottish Fiscal Commission, Governor's House, Regent Road, Edinburgh EH1 3DE or info@FiscalCommission.scot

Published by the Scottish Fiscal Commission, December 2024

Foreword

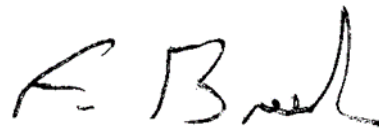
The Scottish Fiscal Commission is the independent fiscal institution for Scotland. Our statutory duty is to provide independent and official forecasts of Scottish GDP, devolved tax revenues, and devolved social security spending to inform the Scottish Budget. Our forecasts represent the collective view of the four Commissioners who take full responsibility for them.

Our forecasts have been used to inform the Scottish Government's Budget for 2025-26, also published today. Our protocol for engagement with the Scottish Government guides our interaction with the Government during the forecasting process.

We would like to thank the hard-working staff of the Commission for their support in the production of our forecasts and underpinning analysis. We would also like to thank officials from the Scottish Government, Revenue Scotland, Social Security Scotland, the DWP, HM Treasury, HMRC, and the OBR for the constructive challenge of our judgements and for ensuring that we considered all the available evidence.



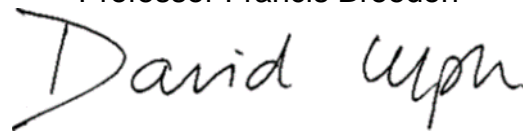
Professor Graeme Roy



Professor Francis Breedon



Professor Domenico Lombardi



Professor David Ulph

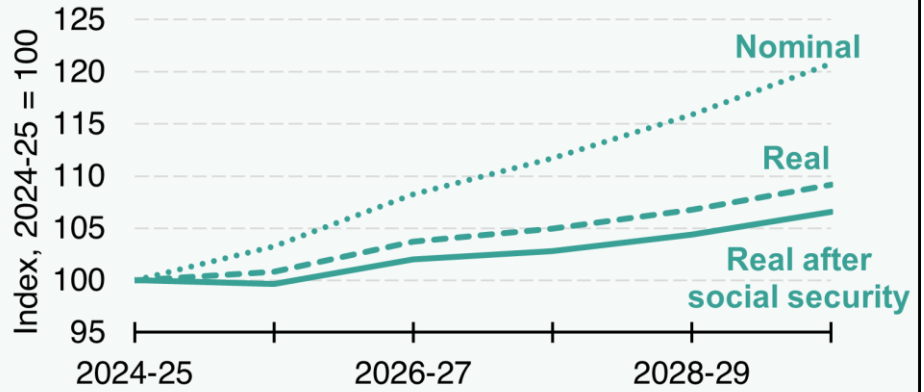
4 December 2024

Fiscal Overview

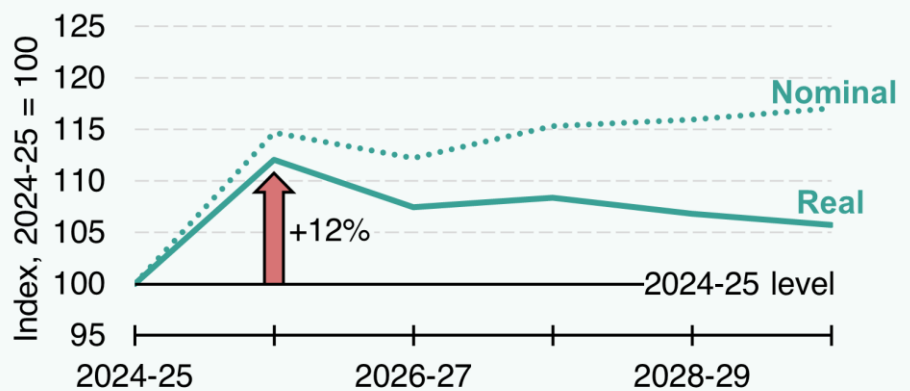
Resource funding is almost 90 per cent of the Scottish Budget and covers day-to-day costs such as social security payments and staff pay. After accounting for inflation and deducting social security spending, it is forecast to drop by 0.3 per cent in 2025-26 before slowly growing.

Capital funding is around 10 per cent of the Scottish Budget and covers investment in assets such as roads and hospitals, and financial assets. After accounting for inflation, it is forecast to rise by 12 per cent in 2025-26 before dropping in 2026-27 and remaining broadly flat.

Resource funding forecast to rise over the next five years



Capital funding will see a large increase via the Block Grant

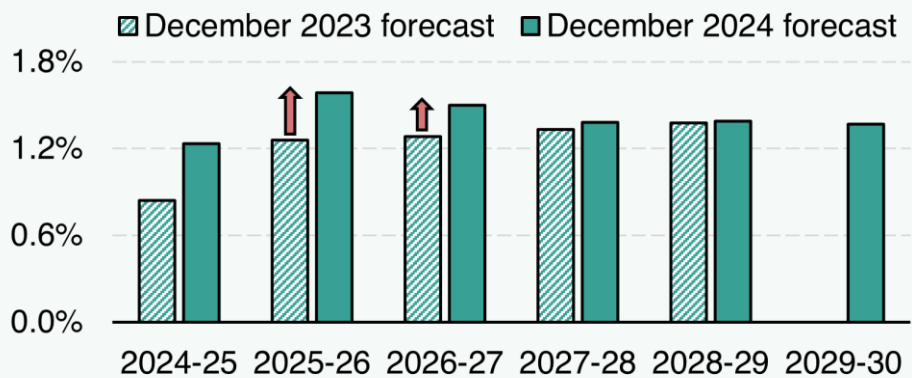


Economy

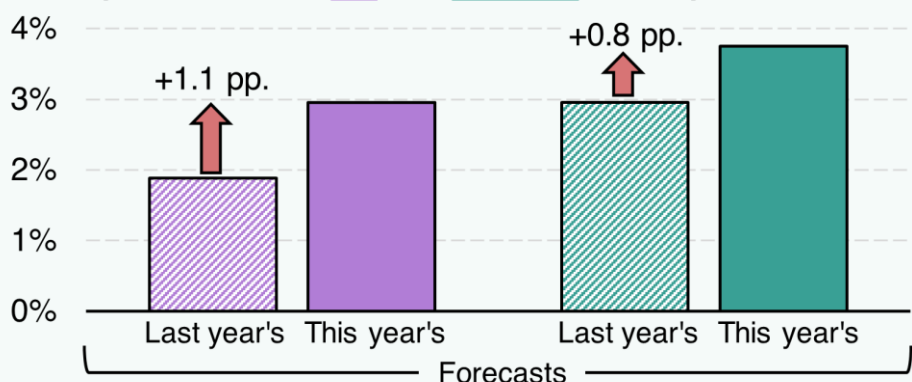
Since our December 2023 forecast, the UK Government has increased its planned borrowing and spending. We expect increases to government spending will feed through to higher real GDP growth in the short run. This boost to growth dissipates by the end of the horizon.

Compared to each of our respective forecasts produced this time last year, both the OBR (for the UK) and we (for Scotland) now expect nominal earnings growth in 2025-26 will be higher. The OBR revised up their outlook for growth by a larger amount than we have ours.

GDP growth boosted in short run by government spending



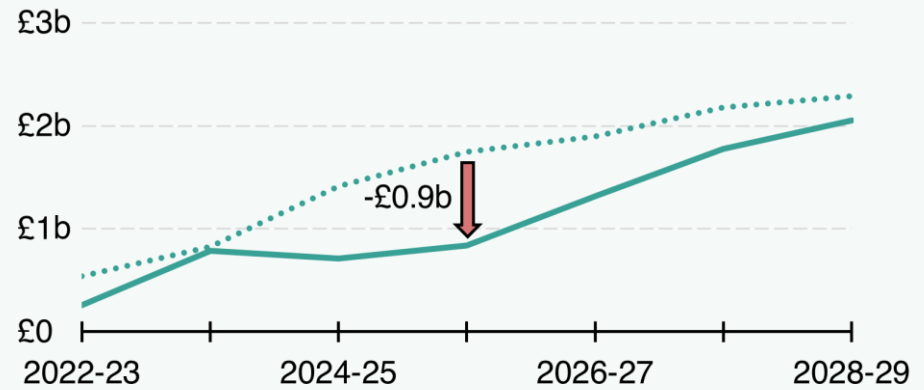
Stronger outlook for UK and Scottish earnings in 2025-26



Tax

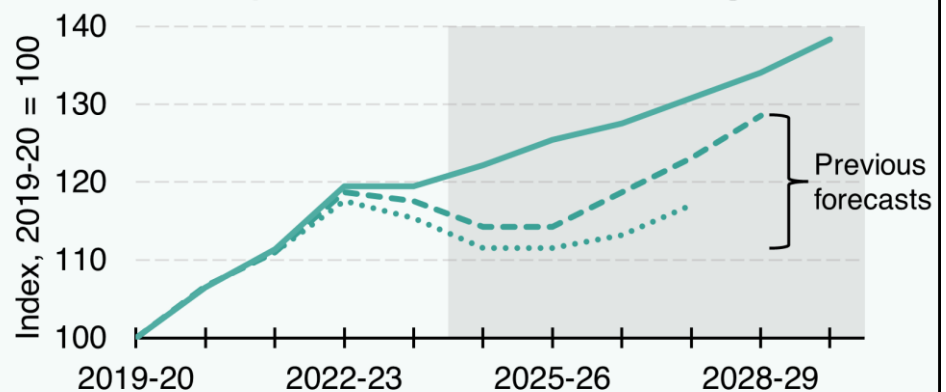
The income tax net position – the net funding available from income tax – remains positive but is lower than projected last December, with a fall for 2025-26 of £0.9 billion. This is due to upward revisions to the Block Grant Adjustment exceeding those made to Scottish income tax.

Projection of income tax net position revised downward



Nominal Scottish house prices, in contrast to our previous forecasts, have been broadly resilient. We have revised our outlook for the housing market up in this forecast, with this increasing our forecast of Land and Buildings Transaction Tax in 2025-26 to £1 billion.

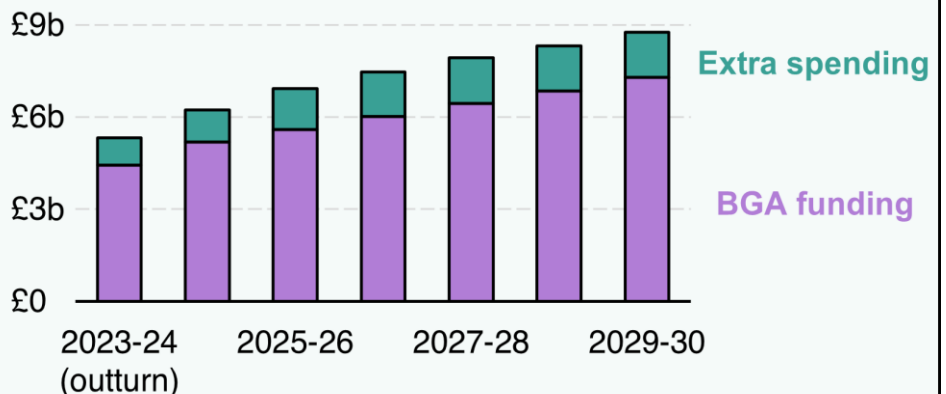
Scottish house prices resilient and forecast to grow



Social Security

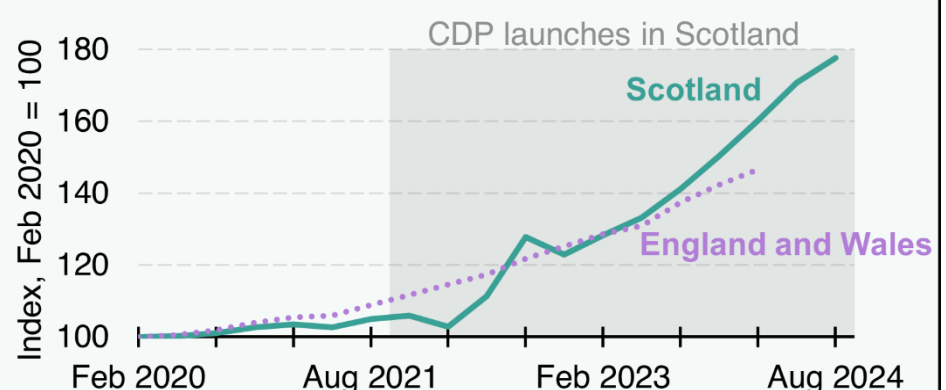
Social security spending is forecast to increase from £6.9 billion in 2025-26 to £8.8 billion in 2029-30, driven by uprating of payments and rising caseloads. Spending exceeded Block Grant Adjustment (BGA) funding by £0.9 billion in 2023-24, with this gap rising to £1.3 billion in 2025-26.

Social security spending exceeds BGA funding in all years



Since 2020 there has been a large rise in the number of families receiving child disability benefits. This reflects a UK-wide trend, but with a larger increase in Scotland since the launch of Child Disability Payment (CDP) in 2021.

Child disability caseloads have increased in recent years



Scotland's Economic and Fiscal Forecasts

December 2024

Blank	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
-------	---------	---------	---------	---------	---------	---------	---------

Budget funding, £ million

Total funding (nominal)	52,654	56,215	58,772	61,105	63,030	65,164	67,671
Resource funding (nominal)	45,854	49,813	51,429	53,921	55,645	57,740	60,178
Capital funding (nominal)	6,800	6,402	7,344	7,183	7,384	7,424	7,493
Total funding (real)	53,904	56,215	57,402	58,527	59,212	60,034	61,138
Resource funding (real)	46,943	49,813	50,230	51,647	52,275	53,194	54,368
Capital funding (real)	6,961	6,402	7,172	6,880	6,937	6,840	6,770

Economy, per cent growth

Real GDP	0.2	1.2	1.6	1.5	1.4	1.4	1.4
Consumer Price Index	5.7	2.3	2.6	2.2	2.1	2.1	2.0
Average real earnings	3.1	2.0	1.5	0.6	0.8	0.8	0.9
Employment	1.2	0.2	0.1	0.3	0.3	0.3	0.2

Tax, £ million (nominal)

Income tax	17,315	19,099	20,477	21,782	22,980	23,913	24,930
NDR	3,033	3,175	3,052	3,535	3,500	3,567	3,879
LBTT	784	911	1,019	1,058	1,102	1,158	1,223
SLfT	68	54	40	24	25	25	26

Tax policy announcements, £ million (nominal)

Income tax	Blank	Blank	52	185	197	206	215
NDR	Blank	Blank	-36	-11	-11	-11	-12
LBTT	Blank	5	32	29	32	32	33
SLfT	Blank	Blank	6	4	4	4	4

Social security, £ million (nominal)

Total spending	5,330	6,224	6,930	7,471	7,922	8,321	8,754
----------------	-------	-------	-------	-------	-------	-------	-------

Social security policy announcements, £ million (nominal)

Extension of PAWHP	Blank	Blank	67	70	71	74	78
--------------------	-------	-------	----	----	----	----	----

© Crown copyright 2024

This publication is available at www.FiscalCommission.scot

Published by the Scottish Fiscal Commission, December 2024

