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Convener  
Economy and Fair Work Committee  
Scottish Parliament Edinburgh  
EH99 1SP

8 April 2025

Dear Convener,

The Scottish Fiscal Commission has this morning published our second [Fiscal Sustainability Report](#), which includes updated projections of the Scottish economy as well as a focus on health. Our assessment suggests that future Scottish Governments will face significant challenges funding devolved public services because of an ageing population and rising health pressures.

We use the latest population projections published by the ONS in January 2025. Our 2023 Fiscal Sustainability Report projected that the Scottish population would fall over the next fifty years. Since then, migration has been higher than expected, and is projected to continue at a higher level in the future. As a result, the Scottish population is now projected to continue to grow over the next twenty-five years, stabilising from 2050 onwards at around 5.8 million.

We have produced projections of Scottish and UK GDP growth to inform our projections of funding and spending. In our 2023 report we used the OBR's projection of UK GDP, however the OBR's latest projection was published before the most recent population projections. We have therefore produced our own projection of UK GDP to ensure our funding and spending projections reflect the same population assumptions.

We project Scottish real GDP growth to 1.5 per cent each year between 2030-31 and 2074-75. This is 0.3 percentage points lower than our projection of UK GDP growth which averages 1.7 per cent in each year of the same period. This is mainly because Scotland's population aged 16 and over, which is used to calculate GDP, is projected to increase by 4.6 per cent over 2029-30 to 2074-75, compared to a rise of 17.6 per cent for the UK.

The fastest demographic growth in Scotland will be in the older age groups, with the population aged 85 and over projected to almost double over the next twenty-five years. Since health-related spending increases with age this will result in higher healthcare spending.



There is more ageing in Scotland in the next twenty-five years than in the rest of the UK. As a result, in our baseline scenario we project Scottish Government spending across all areas will exceed funding by an average of 1.5 per cent each year between 2030-31 and 2049-50. As the age structures of the Scottish and UK populations become more similar around 2050, the fiscal pressure eases and the average annual budget gap is projected to be minus 0.9 per cent between 2050-51 and 2074-75.

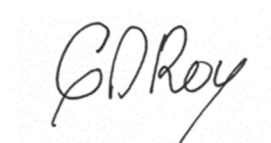
Our report presents better and worse health scenarios to show how changes to population health in Scotland could affect fiscal sustainability. Under a scenario of worse population health, we project the annual budget gap to reach minus 4.0 per cent by the end of the projection. In contrast the annual budget gap is improved by better population health, so much so that it turns to a positive 6.2 per cent by 2074-75. Scottish GDP and tax revenue is also higher in the better health scenario and lower in the worse health scenario.

Our analysis highlights the demographic and health challenges facing the Scottish Budget. Improvements in public health in Scotland which lead to lower requirements for health related spending as people age have the potential to help address the Scottish-specific fiscal sustainability challenges from demographic change.

Rising health costs and an ageing population are not unique to Scotland however, and also affect the UK public finances. The Office for Budget Responsibility has shown that the long-term path for the UK public finances is not sustainable. The Scottish Government's spending would be far greater than their funding if the UK Government were to take action to reduce its debt. The projected difference over the period 2030-31 to 2074-75 would increase from an annual average of minus 1.2 per cent to minus 11.1 per cent.

I am happy to discuss any aspect of our projections and anything the Commission can do to aid the work of the Committee.

Yours sincerely



Professor Graeme Roy