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# Scotland's Economic and Fiscal Forecasts – Visual Summary Pages

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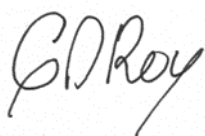
Published by the Scottish Fiscal Commission, May 2025

# Foreword

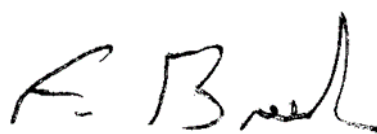
The Scottish Fiscal Commission (SFC) is the independent fiscal institution for Scotland. Our statutory duty is to provide independent and official forecasts of Scottish GDP, devolved tax revenues, and devolved social security spending. Our forecasts represent the collective view of the Scottish Fiscal Commission, comprising the four Commissioners. We take full responsibility for the judgements that underpin them.

We started work on these forecasts after the Scottish Government notified us that it would publish its Medium Term Financial Strategy (MTFS) on 29 May 2025. On 6 May the Government informed us that it was considering delaying publication and on 13 May confirmed that it would publish the MTFS on 25 June 2025. As all the necessary analysis and engagement had taken place, we decided to publish our forecasts on 29 May 2025 as originally planned.

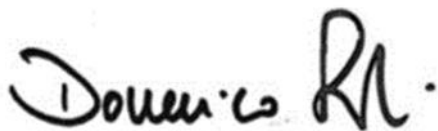
We would like to thank the hard-working staff of the SFC for their support in the production of our forecasts and underpinning analysis. We would also like to thank officials from the Scottish Government, Revenue Scotland, Social Security Scotland, the DWP, HM Treasury, HMRC, and the OBR for their constructive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



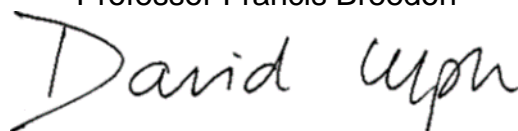
Professor Graeme Roy



Professor Francis Breedon



Professor Domenico Lombardi



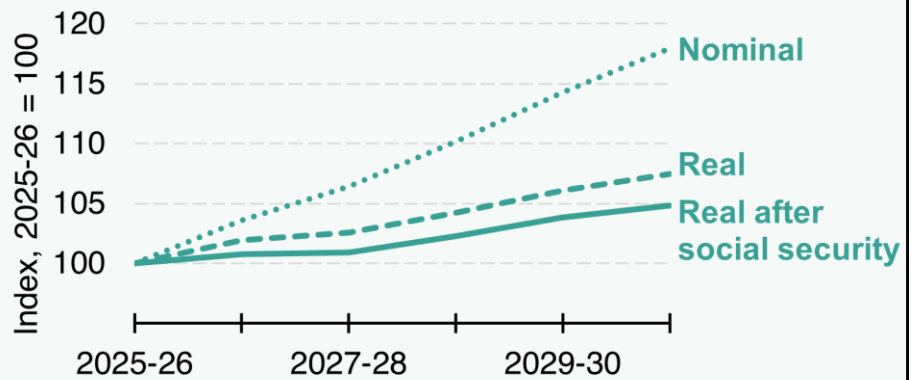
Professor David Ulph

29 May 2025

## Fiscal Overview

Resource funding is over £52 billion in 2025-26 and covers day-to-day costs such as social security payments and staff pay. After inflation, it is forecast to grow 7 per cent by 2030-31. After social security spending, this drops to 5 per cent.

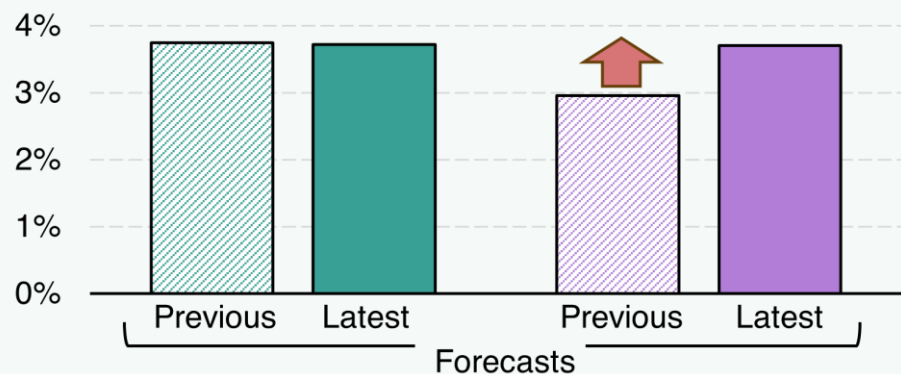
### Resource funding growth reduced by social security spend



## Economy

Our forecast of Scottish nominal earnings growth in 2025-26 is broadly unchanged from that we produced last December. On the other hand, the OBR's forecast of growth for the UK has been revised upward by 0.8 percentage points. This feeds through to the Income Tax net position.

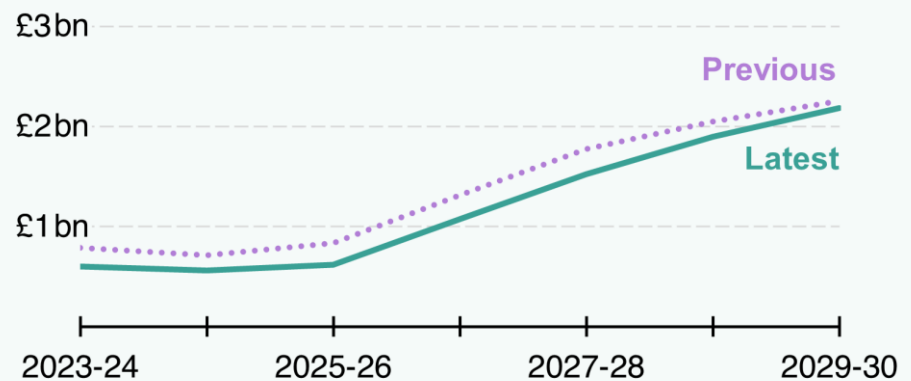
### 2025-26 Scottish earnings unchanged, UK forecast higher



## Tax

The Income Tax net position – the net funding for the Scottish Government from Income Tax – remains positive but is around £180 million a year lower compared with the December projection. This is largely because of changes in the Block Grant Adjustment due to the OBR forecast.

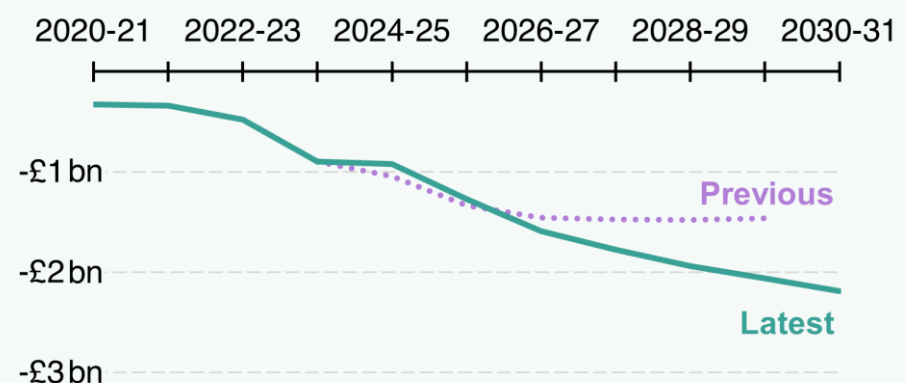
### Projected Income Tax net position revised downward



## Social security

The effect of social security spending on the Budget has widened by £0.6 billion in 2029-30; £0.2 billion because of the Scottish Government's two-child limit mitigation policy and £0.4 billion because of UK Government policies that will reduce Block Grant Adjustment funding.

### Policy changes widen effect of social security on Budget



# Scotland's Economic and Fiscal Forecasts

May 2025

blank	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
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## Budget funding, £ million (nominal)

Total funding	55,504	59,561	61,302	63,091	65,138	67,356	69,363
Resource funding	49,298	52,193	54,077	55,532	57,513	59,641	61,557
Capital funding	6,206	7,368	7,225	7,559	7,625	7,715	7,807

## Budget funding, per cent growth (real)

Total funding	blank	4.5	1.2	0.9	1.3	1.5	1.1
Resource funding	blank	3.1	1.9	0.6	1.6	1.8	1.3
Capital funding	blank	15.7	-3.5	2.5	-1.1	-0.7	-0.7

## Economy, per cent growth

Real GDP	1.2	1.2	1.8	1.7	1.6	1.6	1.6
Consumer Prices Index	2.3	3.2	1.9	2.0	2.0	2.0	2.0
Average real earnings	1.6	1.0	0.9	1.0	0.9	0.9	1.0
Employment	0.2	0.1	0.6	0.5	0.4	0.4	0.4

## Tax, £ million (nominal)

Income Tax	18,992	20,495	21,901	23,139	24,186	25,288	26,428
NDR	3,155	3,099	3,551	3,510	3,564	3,861	3,825
LBTT	898	1,029	1,093	1,138	1,187	1,240	1,297
SLfT	53	38	24	24	25	25	26

## Social security, £ million (nominal)

Total spending	6,122	6,874	7,658	8,094	8,498	8,944	9,405
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